INTERNATIONAL
OIL POLLUTION
COMPENSATION
FUND 1992

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| ASSEMBLY<br>10th session<br>Agenda item 11 | 92FUND/A.10/10<br>12 July 2005<br>Original: ENGLISH |

# 2004 FINANCIAL STATEMENTS AND AUDITOR'S REPORT AND OPINION

## Note by the Director

| | |
|---|---|
| ***Summary:*** | The financial statements and the Auditor's Report and Opinion are set out. |
| ***Action to be taken:*** | Approval of financial statements. |

**1** The financial statements of the 1992 Fund are audited by the Comptroller and Auditor General of the United Kingdom.

**2** In accordance with Article 29.2(f) of the 1992 Fund Convention, the Director has prepared the financial statements of the 1992 Fund for the financial year 2004. Pursuant to Financial Regulation 13.9, the External Auditor has submitted to the Assembly, through its Chairman, his Report on the audit of the financial statements of the 1992 Fund for the financial period ended 31 December 2004. The Director has prepared comments on the financial statements. These comments and the Auditor's Report are at Annexes I and II, respectively.

**3** Under Financial Regulation 13.15 the External Auditor shall express an opinion on the financial statements on which he is reporting. This Opinion is at Annex III.

**4** Financial Regulation 12.3 provides that the financial statements to be prepared by the Director shall comprise of the following:

(a) (i) a Statement of Appropriations and Obligations Incurred;
(ii) Income and Expenditure Accounts for all funds;
(iii) a Balance Sheet;
(iv) a Cash Flow Statement;

(b) such notes as may be necessary for a better understanding of the financial statements, including a statement of the significant accounting policies and details of contingent liabilities.

**5** Staff Regulation 26(b) provides that the Director shall establish and operate a Provident Fund to which both the 1992 Fund and staff members shall contribute on such terms and conditions as may be approved by the Assembly. Under Staff Rule VIII.5(g), the auditing of the Provident Fund shall be carried out in conjunction with the annual audit of the accounts of the 1992 Fund.

**6** The following financial statements for the period 2004 are submitted herewith:

| | |
|---|---|
| Statement I | Statement of Budget Appropriations and Obligations Incurred in respect of the General Fund for the financial period 1 January - 31 December 2004 |
| Statement II | Summary of Income and Expenditure Account in respect of the General Fund, Major Claims Funds and Provident Fund for the financial period 1January – 31 December 2004 |
| Statement III | Income and Expenditure Account in respect of the General Fund for the financial period 1 January - 31 December 2004 |
| Statement IV.1 | Income and Expenditure Account in respect of the *Nakhodka* Major Claims Fund for the financial period 1 January - 31 December 2004 |
| Statement IV.2 | Income and Expenditure Account in respect of the *Erika* Major Claims Fund for the financial period 1 January - 31 December 2004 |
| Statement IV.3 | Income and Expenditure Account in respect of the *Prestige* Major Claims Fund for the financial period 1 January - 31 December 2004 |
| Statement V | Staff Provident Fund Account for the financial period 1 January - 31 December 2004 |
| Statement VI | Balance Sheet of the 1992 Fund as at 31 December 2004 |
| Statement VII | Cash Flow Statement for the 1992 Fund for the financial period 1 January - 31 December 2004 |

**7** In addition to the financial statements submitted, the following reports are attached:

| | |
|---|---|
| Schedule I | Report on Contributions and Reimbursements during the financial period 1 January – 31 December 2004 and on contributions outstanding for previous financial periods |
| Schedule II | Report on Payment of Claims for the financial period 1 January – 31 December 2004 |
| Schedule III | Details of Contingent Liabilities of the 1992 Fund as at 31 December 2004 |

**8** The certified financial statements for the financial period 1 January to 31 December 2004 are at Annex IV.

**9** **<u>Action to be taken by the Assembly</u>**

The Assembly is invited to consider the External Auditor's Report and Opinion and to approve the financial statements for the financial period 1 January to 31 December 2004.

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**ANNEX I**

# INTERNATIONAL OIL POLLUTION COMPENSATION FUND 1992

## DIRECTOR'S COMMENTS ON THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD 1 JANUARY TO 31 DECEMBER 2004

## 1 Introduction

1.1 The International Oil Pollution Compensation Funds 1971 and 1992 are two intergovernmental organisations which provide compensation for oil pollution damage resulting from spills of persistent oil from tankers. The International Oil Pollution Compensation Fund 1971 (1971 Fund) was established in October 1978. It operates within the framework of two international Conventions: the 1969 International Convention on Civil Liability for Oil Pollution Damage (1969 Civil Liability Convention) and the 1971 International Convention on the Establishment of an International Fund for Compensation for Oil Pollution Damage (1971 Fund Convention). This 'old' regime was amended in 1992 by two Protocols. The amended Conventions, known as the 1992 Civil Liability Convention and the 1992 Fund Convention, entered into force on 30 May 1996. The International Oil Pollution Compensation Fund 1992 (1992 Fund) was set up under the 1992 Fund Convention. The 1971 Fund Convention ceased to be in force on 24 May 2002 and does not apply to incidents occurring after that date. However, before the 1971 Fund can be wound up, all pending claims arising from incidents occurring before that date in 1971 Fund Member States will have to be settled and paid and any remaining assets distributed among contributors.

1.2 The maximum amount of compensation payable under the 1992 Conventions for any one incident is 135 million Special Drawing Rights (SDR)[1] in respect of incidents occurring before 1 November 2003 and 203 million SDRs for incidents occurring after that date. These amounts include the sum actually paid by the shipowner or his insurer.

1.3 The 1992 Fund has an Assembly composed of all Member States and an Executive Committee of 15 Member States elected by the Assembly. The Assembly is the supreme governing body of the Organisation having *inter alia* the responsibility for financial matters. The main function of the Executive Committee is to approve settlement of claims for compensation, when the Director is not authorised to make settlements.

1.4 By the end of 2004, 86 States were Members of the 1992 Fund and a further six States had acceded to the 1992 Fund Convention, bringing the number of Member States to 92 by late 2005 (see page 9).

1.5 An optional third tier of compensation was created by means of a Protocol to the 1992 Fund Convention adopted in 2003. The Protocol, which entered into force on 3 March 2005, will establish a new intergovernmental organisation, the International Oil Pollution Compensation Supplementary Fund 2003 (Supplementary Fund). Any State Party to the 1992 Fund Convention may become Party to the Protocol and thereby become a Member of the Supplementary Fund. The total amount of compensation payable for any one incident for pollution damage in the States which become parties to the Protocol is 750 million SDRs, including the amount payable under the 1992 Civil Liability and Fund Conventions.

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[1] The SDR which is the unit of account used in the Conventions referred to in paragraph 1.2 is valued on the basis of a basket of key international currencies and serves as the unit of account of the International Monetary Fund (IMF) and a number of other international organisations.

## 2 Secretariat

2.1 The 1992 Fund and 1971 Fund have a joint Secretariat, based in London, headed by one Director. From a formal point of view, the 1992 Fund Secretariat administers the 1971 Fund also.

2.2 As at 31 December 2004 the Secretariat had 31 established posts. The Funds use external consultants to provide advice on legal and technical matters as well as on matters relating to management. In connection with a number of major incidents the Funds and the shipowner's third party liability insurer involved have jointly established local claims offices to facilitate the efficient handling of the great numbers of claims submitted and in general to assist claimants.

## 3 Audit Body

3.1 The governing bodies of the 1992 and 1971 Funds have established a joint Audit Body for the two Funds with the following mandate:

- review the effectiveness of the Organisations regarding key issues of financial reporting, internal controls, operational procedures and risk management;
- promote the understanding and effectiveness of the audit function within the Organisations, and provide a forum to discuss internal controls; operational procedures and matters raised by the external audit;
- discuss with the External Auditor the nature and scope of each forth coming audit;
- review the Organisations' financial statements and reports;
- consider all relevant reports by the External Auditor, including financial statements; and
- make appropriate recommendations to the governing bodies.

3.2 The Audit Body met in April, June and November 2004 and informally in October 2004 at the time of the October 2004 sessions of the governing bodies.

## 4 Investment Advisory Body

The Assemblies of the 1992 Fund and 1971 Fund have for each Organisation established an Investment Advisory Body, consisting of experts with specialist knowledge in investment matters to advise the Director in general terms on such matters.

## 5 Financial Overview

5.1 There are separate income and expenditure accounts for the General Fund and for each of the Major Claims Funds. The General Fund covers the 1992 Fund's expenses for the administration of the Organisation, including the 1992 Fund's share of the costs of running the joint Secretariat, and for compensation payments and claims related expenditure up to a maximum amount of the Pounds sterling equivalent of 4 million SDRs per incident converted at the rate applicable on the date of the incident. Separate Major Claims Funds are established for incidents where the total amount payable by the 1992 Fund exceeds 4 million SDRs.

5.2 The 1992 Fund is financed by contributions paid by any person who has received in the relevant calendar year in excess of 150 000 tonnes of crude oil or heavy fuel oil (contributing oil) in ports or terminal installations in a Member State after carriage by sea. The levy of contributions is based on reports of oil receipts in respect of individual contributors, which are submitted to the Secretariat by Governments of Member States. Contributions were levied in 2003 for payment in 2004 with respect to the General Fund of £7 million and with respect to the *Prestige* Major Claims Fund of £75 million. Reimbursements were made in 2004 of £37.7 million from the surplus on the *Nakhodka* Major Claims Fund to contributors to that Fund. Details of 2003 contributions levied, reimbursements made and outstanding contributions for previous financial periods are provided in **Schedule I**.

5.3 The majority of the 1992 Fund's assets at the end of the 2004 financial period amounting to some £121 million were held in Pounds sterling. In relation to the *Erika* and *the Prestige* incidents, Euros were bought and invested during 2004. Interest on investments during the period amounted to some £4.7 million.

5.4 The *Erika* incident in France in 1999 has resulted in over 7 900 claims for compensation. Although most of these claims have been assessed, there are still a considerable number of claims pending in the French courts. The *Prestige* incident which occurred off Spain in November 2002 caused serious pollution damage in Spain and France and also affected Portugal and the United Kingdom. This incident has given rise to significant compensation claims and further claims are expected. Considerable progress has been made in respect of other incidents involving the 1992 Fund. The incidents in which the 1992 Fund was involved during 2004 are listed in **Schedule II**.

5.5 Compensation payments and claims related expenditure during 2004 totalled some £14.5 million. The payments mainly related to the *Erika*, *Prestige* and *Kyung Won* incidents.

5.6 The joint Secretariat's administrative expenses for 2004 amounted to £2 624 613 with the 1992 Fund's share being £2 284 613.

5.7 The balance sheet of the 1992 Fund as at 31 December 2004 is reproduced in **Statement VI** of the financial statements. The balances on the General Fund and the *Nakhodka*, *Erika* and *Prestige* Major Claims Funds are given in **Statements III, IV.1, IV.2 and IV.3** respectively. The General Fund balance at the balance sheet date stood at £25 364 213 which is higher than the working capital of £22 million set by the Assembly at its session in October 2004.

5.8 The contingent liabilities as at 31 December 2004 were estimated at over £135 million in respect of 8 incidents as detailed in **Schedule III**.

## 6 Comments on the respective financial statements

6.1 Statement of budget appropriations and obligations incurred in respect of the General Fund for the financial period 1 January - 31 December 2004 (**Statement I**)

The 1992 Fund Assembly, at its 8th session, and the 1971 Fund Administrative Council, at its 12th session, acting on behalf of the 1971 Fund Assembly, respectively, decided that the 1971 Fund should pay to the 1992 Fund a flat management fee, set approximately at 10% of the joint administrative expenses, towards the cost of running the joint Secretariat for 2004. The fee was set in the budget at £325 000 for the period 1 January to 31 December 2004 (documents 92FUND/A.8/30, paragraph 24.1 and Annex and 71FUND/AC.12/22, paragraph 19.1 and Annex). The expenses not covered by the management fee are set out in Note 10 to the financial statements.

The total obligations incurred in respect of both Organisations for the operation of the joint Secretariat (excluding the cost of winding up the 1971 Fund) amount to £2 624 613 compared with the appropriation of £3 292 250. The savings amount accordingly to £667 637.

One transfer was made between appropriations within Chapters of the budget and one transfer between Chapters, in accordance with Financial Regulation 6.3.

Expenses for running the Secretariat were made under the following Chapters as summarised below:

| | Chapter | Revised budget appropriations £ | Obligations incurred £ | % | Balance of appropriations £ |
|---|---|---|---|---|---|
| I | Personnel | 2 007 800 | 1 590 429 | 60.60 | 417 371 |
| II | General services | 680 760 | 505 762 | 19.27 | 174 998 |
| III | Meetings | 145 440 | 145 440 | 5.54 | - |
| IV | Travel | 100 000 | 84 415 | 3.22 | 15 585 |
| V | Miscellaneous expenditure | 298 250 | 252 780 | 9.63 | 45 470 |
| VI | Unforeseen expenditure | 60 000 | 45 787 | 1.74 | 14 213 |
| | Total | 3 292 250 | 2 624 613 | 100.00 | 667 637 |

Details of expenditure by Chapter are as follows.

I *Personnel*

The total expenditure under Personnel covers Salaries, Separation and recruitment and Staff benefits, allowances and training. The overall savings of some 21% (£417 371) was mainly due to no appointments being made to three professional posts approved by the Assembly. Savings were also made under the appropriation for separation, as the current Director was reappointed by the Assembly at its October 2004 session for a further term of two years, to 31 December 2006.

II *General services*

The appropriations under this heading cover mainly Office accommodation, Office machines and Public information. Of the expenses in this chapter some 37% relates to Office accommodation and some 26% to Public information. Savings under this Chapter were some 25% (£174 998), mainly in respect of the appropriations for Public information and Office machines.

Within the Chapter the cost of Other supplies and services was £47 413 in 2004 compared to an appropriation of £41 000. The excess was met from a transfer within the Chapter in accordance with Financial Regulation 6.3

III *Meetings*

The IOPC Funds bodies held 15 days of meetings in 2004.

The main expenses under this heading include the cost of translation of documents for meetings, interpretation during meetings and printing of documents for meetings. The total expenditure on Meetings was £145 440, compared with the appropriation of £145 000. In accordance with Financial Regulation 6.3 a transfer was made from Chapter II - General Services to cover the shortfall of £440.

IV *Travel*

The Secretariat undertakes missions and participates in various conferences and seminars as required. In some cases missions were combined with conferences and seminars, and vice versa. Where possible travel in respect of incidents is also combined with missions, conferences and seminars.

At its October 2004 session the Assembly authorised the Director to make the necessary transfer to Chapter IV (Travel) from Chapter I (Personnel) to cover the costs of travel in 2004 (document 92FUND/A.9/31, paragraph 33.1). This authority was not utilised, as the cost of travel in 2004 fell below the appropriation of £100 000, resulting in a saving of £15 585 under this Chapter.

V *Miscellaneous expenditure*

This Chapter includes the fees of the External Auditor, the costs relating to the Audit Body and the Investment Advisory Body and Consultants/lawyers fees (non incident related). The costs of the Audit Body and the Investment Advisory Body in 2004 were £82 075 and £30 000 respectively. The total expenditure under this Chapter was £252 780 compared to an appropriation of £298 250. The overall saving of some 15% (£45 470) was mainly in respect of the appropriation for Consultants' fees.

VI *Unforeseen expenditure*

The expenditures of £45 787 under this heading relate mainly to the cost of the scanning of contributors' files and costs incurred in improving the computer back up system between the IOPC Funds' offices in Portland House and their offices in the International Maritime Organization building.

6.2 Summary of Income and Expenditure Account in respect of the General Fund, Major Claims Funds and Provident Fund for the financial period 1 January - 31 December 2004 (**Statement II)**

Statement II provides a summary of the income and expenditure for the 1992 Fund for the financial period 2004.

The income for the period amounted to £87 038 121 consisting mainly of contribution income and interest on investments. The reimbursement to contributors to the *Nakhodka* Major Claims Fund totalled £37 700 028.

Total expenditure for the period amounted to £17 118 786. The expenditure was mainly for compensation payments and claims related expenditure in respect of the *Erika*, *Prestige* and *Kyung Won* incidents and the 1992 Fund's share of the costs of running the joint Secretariat amounting to £2 284 613.

Detailed figures of income and expenditure are provided in the respective financial statements.

6.3 Income and Expenditure Account in respect of the General Fund for the financial period 1 January - 31 December 2004 (**Statement III**)

I *Income*

The levy of 2003 contributions due in 2004 to the General Fund was fixed by the Assembly at its October 2003 session at £7 million for payment by 1 March 2004 (document 92FUND/A.8/30, paragraph 26.6). The total amount actually levied during the financial period was £6 906 194. Details of the contributions receivable are given in **Schedule I**. The interest earned on the investment of the assets of the General Fund amounted to £1 021 033.

II *Expenditure*

The total expenditure was £4 581 842. The major part of the expenditure represents payments made with respect to the *Kyung Won* incident (£1 716 696) and the 1992 Fund's share of the costs of running the joint Secretariat (£2 284 613).

III *Excess of income over expenditure*

A surplus of £3 798 597 was recorded for the financial period.

The General Fund balance as at 31 December 2004 was £25 364 213.

6.4 <u>Income and Expenditure Account in respect of the *Nakhodka* Major Claims Funds for the financial period 1 January - 31 December 2004 (**Statement IV.1**)</u>

I *Income*

At its October 2003 session the Assembly decided to reimburse £37.7 million of the surplus on the *Nakhodka* Major Claims Fund to contributors to that Fund (document 91FUND/A.8/30, paragraph 27.7). Details of the reimbursements are given in **Schedule I**.

The major part of the income consists of interest on loans made to the *Prestige* Major Claims Fund of £231 744 and interest of £54 614 earned from the investment of the assets of this Major Claims Fund.

II *Expenditure*

There was no expenditure on this account in 2004.

III *Excess of expenditure over income*

A deficit of £37 406 319 was recorded for the financial period.

The balance on the *Nakhodka* Major Claims Fund as at 31 December 2004 was £714 020 At its October 2004 session the Assembly decided that a further amount of £600 000 should be reimbursed in 2005 to contributors to this Fund and that the surplus should be transferred to the General Fund in accordance with the Financial Regulations (document 92FUND/A.9/31, paragraph 28.5).

6.5 <u>Income and Expenditure Account in respect of the *Erika* Major Claims Funds for the financial period 1 January - 31 December 2004 (**Statement IV.2**)</u>

I *Income*

At its October 2003 session the Assembly decided to make a levy of £5.5 million of 2003 contributions to the *Erika* Major Claims Funds due for payment in 2004, the entire levy to be deferred. In accordance with the authority given to him, the Director decided in July 2004 not to make a deferred levy to that Major Claims Fund.

The major part of the income consists of interest of £2 529 820 earned from the investment of the assets of this Major Claims Fund.

II *Expenditure*

The expenditure on this account in 2004 amounted to £9 511 428.

III *Excess of expenditure over income*

A deficit of £6 980 283 was recorded for the financial period.

The balance on the *Erika* Major Claims Fund as at 31 December 2004 was £60 779 881.

6.6 <u>Income and Expenditure Account in respect of the *Prestige* Major Claims Funds for the financial period 1 January - 31 December 2004 (**Statement IV.3**)</u>

I *Income*

The levy of 2003 contributions to the *Prestige* Major Claims Fund due in 2004 was fixed by the Assembly at its October 2003 session at £75 million for payment by 1 March 2004. The Director was authorised to levy a further £35 million to this Major Claims Fund during the second half of 2004, but this authorisation was not used (document 92FUND/A.8/30, paragraph 27.5 and 27.6).

The total amount actually levied during the financial period was £74 356 593. Details of the contributions receivable are given in **Schedule I.** Interest of £931 731 was earned from the investment of monies received in respect of this Major Claims Fund.

II *Expenditure*

The total expenditure on this account in 2004 amounted to £2 737 437, of which £253 449 was interest payable on loans taken from the General Fund and *Nakhodka* Major Claims Fund.

In addition loans taken in 2003 from the General Fund and the *Nakhodka* Major Claims Fund totaling £40 007 044 were repaid on receipt of contributions in respect of the *Prestige* Major Claims Fund.

The balance on the *Prestige* Major Claims Fund as at 31 December 2004 was £32 879 058.

6.7 <u>Staff Provident Fund Account for the financial period 1 January - 31 December 2004 (**Statement V**)</u>

I The Assembly decided, at its 2nd session, that the 1992 Fund should establish a Provident Fund (document 92FUND/A.2/29, paragraph 13.6).

II Contributions to the Provident Fund during the financial year, in accordance with Staff Regulation 23(b) and Staff Rule VIII.5, amounted to £323 907 of which £103 969 was the participants' share. An amount of £29 000 in respect of housing loans was repaid in 2004.

The Provident Fund is invested together with the 1992 Fund's assets. As decided by the 1971 Fund Executive Committee at its 2nd session, held in March 1980, interest is calculated and fixed monthly by the Director according to investments held during that month. Interest earned on the Provident Fund was £110 962.

III After the withdrawal of £205 635 in the form of loans under the housing loan scheme and £82 444 on separation, there remained a balance of £1 955 615 on the accounts of staff members as at 31 December 2004.

6.8 <u>Balance Sheet as at 31 December 2004 (**Statement VI**)</u>

I *Contributions outstanding*

The amount of £656 728 represents the outstanding balances of contributions as summarised in **Schedule I**.

II *Due from HNS Fund*

An amount of £54 185 (including interest) is due from the International Hazardous and Noxious Substances Fund (HNS Fund) (see Note 5 to the financial statements).

III *Due from Supplementary Fund*

An amount of £45 539 (including interest) is due from the Supplementary Fund (see Note 6 to the financial statements).

IV *Due to Major Claims Funds*

The balances due to Major Claims Funds are as follows:

| | £ |
|---|---|
| *Nakhodka* Major Claims fund | 714 020 |
| *Erika* Major Claims Fund | 60 779 881 |
| *Prestige* Major Claims Fund | 32 879 058 |

V *Prepaid contributions*

An amount of £402 421 represents 2004 annual contributions to the General Fund and the *Prestige* Major Claims Fund due by 1 March 2005 but received in 2004 (see Note 20 to the financial statements).

VI *General Fund Balance*

The figure of £25 364 213 represents the excess of Income over Expenditure in respect of the General Fund over the years 1996-2004.

6.9 Cash Flow Statement for the financial period 1 January - 31 December 2004 **(Statement VII)**

During the period ended 31 December 2004, the net cash inflow from operating activities was £28 251 574 and interest from the 1992 Fund's investments amounted to £4 693 106 which, added to the opening balance of £88 672 665, resulted in a cash balance as at 31 December 2004 of £121 617 345 (see Note 13(a) to the financial statements).

Måns Jacobsson
Director
30 June 2005

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**States Parties to both the**

**1992 Civil Liability Convention and the 1992 Fund Convention**
as at 31 December 2004

## 86 States for which 1992 Fund Convention is in force

*(and therefore Members of the 1992 Fund)*

Algeria
Angola
Antigua and Barbuda
Argentina
Australia
Bahamas
Bahrain
Barbados
Belgium
Belize
Brunei Darussalam
Cambodia
Cameroon
Canada
Cape Verde
China (Hong Kong Special Administrative Region)
Colombia
Comoros
Congo
Croatia
Cyprus
Denmark
Djibouti
Dominica
Dominican Republic
Fiji
Finland
France
Gabon
Georgia
Germany
Ghana
Greece
Grenada
Guinea
Iceland
India
Ireland
Italy
Jamaica
Japan
Kenya
Latvia
Liberia
Lithuania
Madagascar
Malta
Marshall Islands
Mauritius
Mexico
Monaco
Morocco
Mozambique
Namibia
Netherlands
New Zealand
Nigeria
Norway
Oman
Panama
Papua New Guinea
Philippines
Poland
Portugal
Qatar
Republic of Korea
Russian Federation
Saint Vincent and the Grenadines
Samoa
Seychelles
Sierra Leone
Singapore
Slovenia
Spain
Sri Lanka
Sweden
Tanzania
Tonga
Trinidad and Tobago
Tunisia
Turkey
United Arab Emirates
United Kingdom
Uruguay
Vanuatu
Venezuela

*6 States which have deposited instruments of accession, but for which the 1992 Fund Convention does not enter into force until date indicated*

| | |
|---|---|
| Saint Lucia | 20 May 2005 |
| Malaysia | 9 June 2005 |
| Tuvalu | 30 June 2005 |
| Estonia | 6 August 2005 |
| South Africa | 1 October 2005 |
| Israel | 21 October 2005 |

NAO
NATIONAL AUDIT OFFICE

**International Audit**

ANNEX II

# External Auditor's Report 2004

The United Kingdom National Audit Office (NAO) provides an external audit service to the International Oil Pollution Compensation Fund 1992. The External Auditor, Sir John Bourn, has been appointed by the Assembly in accordance with Regulation 13 of the Financial Regulations. In addition to certifying the accounts of the Fund he has authority under the mandate, to report to the Assembly on the economy, efficiency and effectiveness with which the Fund has used its resources.

The NAO provides external audit services to international organisations, working entirely independently of its role as the Supreme Audit Institution of the United Kingdom. The NAO has a dedicated team of professionally qualified staff with wide experience of the audit of international organisations.

The aim of the audit is to provide independent assurance to Member States; to add value to the Fund's financial management and governance; and to support the objectives of its work.

## International Oil Pollution Compensation Fund 1992.

CONTENTS



June 2005 Reference: DL1103

# Executive summary

*This section of the report summarises:*

- *The overall results of the audit – an unqualified audit opinion.*
- *A summary of the key financial reporting issues and matters arising from the audit.*
- *Issues identified from our review of the Fund's key governance arrangements.*

## Introduction

1. In October 2002, the Assembly of the International Oil Pollution Compensation Fund 1992 (1992 Fund) appointed the Comptroller and Auditor General of the United Kingdom as External Auditor for the four years from 2003 to 2006. This External Auditor's report for 2004 provides Member States with an overview of the audit approach and key findings; and information to provide States with assurance on the integrity of the financial statements, internal controls and general financial management of the Fund. The report includes commentary on corporate governance arrangements for the Funds.

## Overall results of the Audit

2. We have audited the accounts of the 1992 Fund in accordance with Regulation 13 of the Financial Regulations and in conformity with the International Standards on Auditing (ISAs) as issued by the International Auditing and Assurance Standards Board (IAASB).

3. **Our audit revealed no weaknesses or errors which we considered material to the accuracy, completeness and validity of the financial statements as a whole and the External Auditor has placed an unqualified opinion on the financial statements for the year ended 31 December 2004.**

4. In accordance with the Financial Regulations, this report also includes specific observations and recommendations directed towards cost effective improvements to the Fund's financial management and control.

## Main findings and recommendations

### Financial matters

5. The detailed findings of this report provide a commentary on the Fund's financial position, together with a number of observations relating to financial matters arising from our audit. For the financial year ended 31 December 2004, the Fund reported an overall surplus, excluding the Provident Fund, of £32,043,517. During the period there was a significant reduction in claims expenditure when compared with 2003, and a reimbursement of £37,700,028 was made to contributors in respect of the *Nakhodka* incident during the year.

6. As part of our audit we reviewed the internal controls operated by the Fund Secretariat and found these satisfactory in support of our overall audit findings.

7. We were asked as part of the audit to provide observations to management on revisions to the Financial Regulations. We note in particular, the following key amendments to the Regulations, which we regard as providing a benefit to the regulatory framework:

    - The removal of single signatory cheque payments – reducing the risk of fraudulent payments;
    - Clarification of the basis of accounting (primarily United Nations System Accounting Standards)
    - Confirmation of the auditing requirements which relate to the Fund;
    - A clear framework for the operation of the joint Secretariat arrangements of the IOPC Funds and the interrelationships between them ; and
    - Enhancement of the timeliness of the publication of financial statements by bringing from 31 May to 30 April the date by which financial statements are to be submitted for audit each year.

8. In addition to our work in support of the audit opinion, we undertook some specific audit work to review the arrangements for accurate reporting of dual currency investments and for authorisation of staff travel. We are pleased to confirm that, based on our sample testing, the Fund continues to have adequate procedures for reporting investments.

9. The Secretariat notified us of two instances of potential fraud which had occurred during 2005, relating to attempts to present stolen 1992 Fund cheques for payment. We have investigated these cases and are satisfied that no losses were incurred in either 2004 or 2005 as a result of these attempts, and that the Secretariat has initiated improved arrangements to mitigate against further potential thefts.

**Management issues**

10. Notwithstanding the small size of the Secretariat, the IOPC Funds have been exemplary in setting a best practice governance agenda. The Fund has recognised that the existence of a sound corporate governance framework is essential to provide Member States with assurance over the use of resources and compliance with the regulatory frameworks. Our report focuses on the adequacy of key governance arrangements established by the Funds to ensure they continue to provide the best level of assurance. This is of particular importance as the Assembly considers the role of the Audit Body in October and in the context of the new Director taking up responsibilities by November 2006.

11. **On internal controls** - we have been encouraged by the development of a document clearly establishing the delegated powers for authorising and committing IOPC Funds, which we encouraged the Secretariat to initiate. We have recommended further improvement to the internal control framework by recommending that the IOPC Funds produce a statement on internal control, which would become part of the financial statements. This would have the benefit of clearly recording the responsibilities of the Director and enhancing his accountability for them. The requirements of the statement would not go beyond

those requirements already existing within the current regulatory framework, and would be reviewed for consistency as part of the external audit process.

12. **On ethical conduct** - we reviewed the Fund's existing arrangements to secure transparency in financial management. We have made recommendations for the establishment of registers of interest and for the recording of hospitality and gifts. Furthermore, to reflect best practice we encourage the positive annual declaration by staff of compliance with the requirements of the Financial Regulations and Administrative Instructions by staff. We have also made recommendations for the Fund to consider the way in which arrangements might be further improved by means of a whistleblowing policy. This would ensure that staff had an appropriate mechanism through which they could report misconduct or irregularity. Such an arrangement is of particular importance in the absence of an internal audit function.

13. **On risk management** – The Fund has continued to make progress in identifying its financial risks, but we encourage greater impetus to complete the process; ensuring that a full and systematic risk management assessment is in place prior to the arrival of the new Director.

14. **On the Audit Body** – We continue to regard the Audit Body as a beneficial and essential part of the IOPC Funds governance framework. It provides detailed scrutiny on key matters which offers valuable additional assurance to the Assembly Members. Furthermore, its review of the adequacy of the internal control framework and the quality of the audit arrangements is an essential part of the process to ensure the accuracy and usefulness of financial reporting. The existence of the Audit Body is to be reviewed at the October Assembly and we continue to commend the value this Committee provides to the Assembly and to the management of the Fund.

# Detailed report findings

*This section of the report includes:*

- *An overall commentary on the financial performance of the Fund.*
- *Financial management issues arising from our audit work, including our work on internal controls, financial regulations.*

# Financial issues

## Summary of the financial position

### Overall income against expenditure

15. During the financial year 2004, the 1992 Fund reported a General Fund operating surplus of £3,798,597, compared to a deficit of £2,081,271 in 2003. When the respective surpluses and deficits on the General Fund and Major Claims Funds are taken into account (excluding the Provident Fund), the 1992 Fund reported an overall surplus for the year of £32,043,517.

### Contributions income

16. The 1992 Fund received income contributions of £81,656,946 during the period, as a result of the levies due for the General Fund and the *Prestige* Major Claims Fund. A reimbursement to contributors of £37,700,028 was made in relation to the *Nakhodka* incident during 2004.

## Miscellaneous income

17. Miscellaneous income, including interest relating to the Provident Fund, was £5,057,268 during the financial period 2004 (2003 £5,420,449). Interest income from investments accounted for £4,648,160 of the total miscellaneous income. This represents a reduction on the pervious year as a result of the timing of investment maturity dates and reduced interest rates. The value of interest income reflects the accounting policy of recording interest income on the basis of cash received, rather than on an accruals basis.

## Secretariat expenses

18. The obligations incurred by the 1992 Fund for joint secretariat expenses totalled £2,624,613 for Chapters I-VI, representing an underspend against the approved budgetary appropriations of £667,637. The most significant areas of under expenditure related to personnel costs (£417,371), public information (£93,533), office machines (£44,716) and consultants' fees (£37,545).

19. After the deduction of management and audit fees in respect of the 1971 Fund, total obligations for the 1992 Fund were £2,284,613, representing an increase of £273,958 or 13.6 per cent on the previous year.

## Claims and claims related expenses

20. There was a significant reduction in the value of compensation payments during 2004, which totalled £9,555,715, having been £63,553,406 in 2003. This year on year difference arose as a result of the £39,914,906 which was paid to the Spanish Government in relation to the *Prestige* incident during 2003. Claims relating to the new *Kyung Won* incident totalled £1,567,229, while there was a significant reduction from 2003 in the payment of claims relating to the *Erika* incident, where payments totalled £7,502,681.

21. Claims related expenses consisted mainly of technical and legal fees and amounted to £4,990,379 (£6,211,052 in 2003). This reduction reflects the fact that the *Erika* and *Prestige* incidents required less specialist input in 2004 when compared with 2003. Additionally expenses for the *Prestige* incident were split between the General Fund and the Major Claims Fund in 2003.

**Staff Provident Fund**

22. The balance on the Staff Provident Fund at the year end was £1,955,615. This represents an increase of 9.9 per cent on the closing balance in 2003. The Fund movements were housing loan grants, totalling £205,635 and withdrawals on separation, which totalled £82,444.

23. The Provident Fund earned £110,962 interest during the year, which represents a return on investment of 5.9 per cent on average net assets held throughout the year.

**Assets and liabilities**

24. Cash held by the 1992 Fund was £121,617,345 at 31 December 2004. The level of outstanding assessed contributions has increased from £71,578 in 2003 to £656,728 at the end of 2004, largely due to contributions relating to the *Prestige* which remain unpaid. Although contributions outstanding remain low in percentage terms, we would continue to encourage Contributors to ensure the timely payment of assessed contributions; and for the Fund to continue to actively seek the payment of outstanding balances.

25. The balance on the Contributors' account increased from £3,388 in 2003 to £1,077,283 at the close of 2004. This balance relates to amounts held by the Fund as credit balances pending allocation to future levies or requests for repayment.

### Contingent liabilities

26. Schedule III to the financial statements reports the contingent liabilities of the Fund, which are defined in the accounting policies as all known or likely claims against the Fund and claims related expenditures estimated for the next financial year. As at 31st December 2004 closing liabilities were estimated at £135,480,000, based on the latest available information on 30th April 2005.

27. Such liabilities that may materialise will need to be funded through further levies of contributions to General Fund and Major Claims Funds (MCFs). As at 31st December 2004 the *Erika* MCF had a balance of £60,779,881 and the *Prestige* MCF had a balance of £32,879,058. Both of these fund balances were lower than the estimated contingent liabilities relating to these incidents at 31st December 2004. In October 2004 the Fund decided to make an additional levy to cover payments for the *Prestige* incident in 2005.

# Financial management issues

### Internal controls

28. As a routine part of our audit we reviewed the Fund's internal controls, which management established to ensure the regularity of transactions and to provide good stewardship of resources. We found these arrangements to be satisfactory for the purpose of supporting our audit opinion.

### Review of Internal and Financial Regulations

29. In addition to our financial audit, management asked us to review the Financial and Internal Regulations of the 1992 Fund in the light of our experience and knowledge of other international organisations' regulations.

30. Several changes were made as a result of observations we provided to management, and we believe these changes have improved the financial management and controls in operation. Key changes included the removal of single signatory payments, which reduces the risk of fraudulent and erroneous payments being made; specific references to the use of United Nations System Accounting Standards when preparing the financial statements; and confirmation that the audit is conducted under International Standards on Auditing.

31. Management also clarified the administrative arrangements between the 1992, 1971 and Supplementary Funds, confirming the basis for the administration of Funds by a joint Secretariat under the direction of a single Director. A resolution was adopted by the governing bodies of the three Funds in March 2005, and we believe this has clarified the management arrangements concerning the IOPC Funds as a whole. We further commend the Secretariat for bringing forward the date for the formal submission of the financial statements by one month from 31 May to the 30 April. This provides a framework to ensure timely financial reporting.

**Dual currency deposits**

32. Dual currency deposits were used by the 1992 Fund for the first time in 2002, in order to increase investment yields by utilising options for repayment of investments in either Euro or Sterling.

33. Financial Regulation 10.1 states that the Director may invest any funds not required in the short term so long as all necessary steps are taken to avoid undue currency risks. As part of our financial audit, we reviewed information held on dual currency deposits to ensure that management had necessary information to enable it to manage any potential risks.

34. In the light of comments made by the Audit Body regarding the need for confirmation of the accuracy of the financial data contained within these schedules we undertook to confirm this information to primary records. We found that the information contained within these schedules accurately reflected the underlying

financial information. Together with the Investment Advisory Body these mechanisms provide the Secretariat with the facility to effectively monitor the performance of dual currency deposits.

35. United Nations System Accounting Standards do not require any detailed disclosure of currency investments. However, International Financial Reporting Standards would require disclosure of these currency transactions in the event that there was a significant exposure to currency risk. At present, we do not believe that the amounts held in dual currency deposits give rise to a potentially significant exposure to currency risk. However, if the Fund increased its holding significantly we would recommend greater disclosure in line with best accounting practice.

**Non-submission of oil reports**

36. Oil reports form the basis of the Fund's system for levying contributions from Contributors in Member States. We noted that several Member States had not submitted oil reports for a number of years, thus preventing the Secretariat from raising the appropriate levies. We have noted the effort that the Secretariat has made to obtain these outstanding oil reports, and welcome the fact that they are reporting on their efforts to the Audit Body and the Assembly. Although the loss of income from the non-submission of these oil reports does not impede the running of the 1992 Fund, we encourage the Fund to continue to follow up these non-submissions to ensure that the costs of the Fund are borne on an equitable basis by all Contributors in accordance with the 1992 Fund Convention.

**Cases of fraud, presumptive fraud or money laundering**

37. The Secretariat informed us that there were two cases of attempted fraud against the 1992 Fund, both of which occurred in 2005. The cases related to attempts to obtain funds by means of presenting stolen 1992 Fund cheques. In both cases the attempts were prevented by the Fund's bankers and no losses were incurred.

38. We reviewed management's arrangements for the physical security of cheques, which was improved following these attempts. We are satisfied that the new physical security measures will minimise the risk of theft. Furthermore, we can confirm that in both cases no monetary losses were incurred by the Fund. This attempted fraud had no impact on the 2004 financial statements of the 1992 Fund.

39. There were no other cases of fraud, presumptive fraud or money laundering reported to us by the Secretariat or identified in the items examined as part of our audit.

# Management issues

*This section of the report includes:*

- ***The principles and importance of good governance; and***
- ***An assessment of the Fund's key governance mechanisms, namely the:***
  - *accountability for the maintenance, scrutiny and disclosure of compliance with internal controls;*
  - *ethical framework and mechanisms for monitoring the proper conduct of staff;*
  - *progress on the systematic identification and reporting of operational risks; and*
  - *consideration of the work of the Audit Body.*

## Corporate governance

### Principles of good governance

40. Sound corporate governance and the systems of internal control that are integral to it are essential to effective financial management, accountability and transparency. Good corporate governance is necessary to support the achievement of any organisation's objectives and in the creation and maintenance of stakeholder confidence. There has been a considerable evolution in corporate

governance in recent years in both the private and public sectors. High standards and good practice in corporate governance are relevant to all organisations.

41. The Fund, despite the small size of the Secretariat, has made exemplary progress in adopting the best practices in corporate governance, recognising that it creates a framework of assurance for Member States and other stakeholders; providing a greater degree of confidence in the way in which financial resources are utilised and reported. In our reporting this year we have reviewed these arrangements and suggested a number of enhancements to ensure that the Fund continues to set an example for other international organisations.

**Internal control systems**

42. A framework of internal control is required to ensure the proper stewardship of funds. Internal controls help to create a basis for the operation of financial systems and to control the regularity of transactions; this provides management with greater assurance that the Fund's resources are being applied for the purposes intended by Member States.

43. The Director is responsible for the proper operation of internal controls within the Fund. This responsibility is primarily discharged through the creation and operation of the Fund's Internal and Financial Regulations. In order to assist the Director in the maintenance of adequate internal controls, staff are charged with the responsibility to comply with and to follow these rules.

44. Following observations made during the course of our audit regarding best practice, and to facilitate a clearer understanding of delegated responsibilities, the Director collated the various delegations of authority from Regulations and Administrative Instructions into a single document, The Delegation of Authority. Such a concise list of approved delegations provides additional clarity regarding the internal control framework, thus enhancing its operation and its transparency.

45. We encourage the Fund to regularly review the adequacy of its internal control framework, since this active consideration helps management to secure the maintenance and scrutiny of its control environment. This can be achieved through the active consideration of the Audit Body, following its reviews and observations on financial reports and the adequacy of management's responses to audit recommendation. The Audit Body is well placed to form a view on the operation of controls. Through this process the Audit Body provides assurance to both management and the Member States.

46. We encourage the Fund to continue to adopt aspects of best practice from the public and private sectors and consider the usefulness of a specific statement of internal control, which would form part of the financial statements. We will work with the Secretariat to consider options which are practical and add value to the assurance process for Member States.

47. An Internal Control Statement provides positive confirmation by the Director that key controls, procedures and processes have been followed during the period to provide a suitable internal control framework. This process provides additional assurance to Member States about the operation of internal controls and the Director's accountability for them, and is reviewed by the External Auditor to ensure consistency with the work performed to support the overall audit opinion. The statement also provides a specific reference point for the Audit Body's deliberations on the framework of internal control and importantly with the Fund's risk management process. Key aspects in the statement could include:

- procedures for identifying the body's objectives and key risks;
- the development of the control strategy and risk management policy;
- the role of the audit and investment advisory committees;
- procedures for ensuring that aspects of risk management and internal control are regularly reviewed and reported on;

- systems used to ensure compliance with specific regulations or procedures established by Member States; and
- a specific assertion that the control environment has been maintained.

*Recommendation 1: We recommend that the Director consider the merits of including a statement of internal financial control to enhance the assurance and accountability framework of the Fund.*

**Ethical conduct**

48. The operation of effective internal controls is dependent upon the ethical conduct of the staff that operate and maintain these controls. A sound ethical framework establishes a culture in which professional conduct is encouraged to promote probity, integrity, and transparency within the organisation and its staff. Such a framework can be built around the establishment of a clear code of conduct for staff, to set out obligations and expectations.

49. The obligations of staff are set out in various regulations, contracts and in the oath of office, but there is currently no document which provides a set of key principles of good conduct. Significantly, there are no effective mechanisms which management can deploy to monitor compliance with these various requirements. It is important for the Funds to demonstrate a clear ethical framework to encourage a strong anti-fraud culture and to create an environment where probity and good stewardship of funds are clearly promoted. This can be achieved by establishing a framework to enable ethical standards to be encouraged, monitored and enforced.

50. Section 1 of the Staff Regulations and Staff Rules provides a framework that records the duties and obligations of Secretariat staff. Best practice suggests that a formal Code of Conduct should be adopted, which specifies the Fund's expectations of staff conduct and behaviour in order to ensure that the duties and obligations are properly understood as set out in Regulations and to report any suspicions of irregular conduct. Confirmation of compliance could be sought from staff on an annual basis to provide a strong and effective process of confirming the responsibilities of staff.

51. We regard the creation and maintenance of registers of interest and for the receipt of hospitality and gifts to be of particular importance to the Fund. Transparency in these areas sets an example of proper professional standards and will help to prevent and detect instances where conflicts of interest could give rise to inappropriate behaviour. We encourage the Fund to require staff to register any interests in Fund suppliers or contributors and to ensure that any gifts or hospitality are properly disclosed.

52. A register helps to provide transparency, and is especially important in the context of the Fund's contacts with industry and private organisations where hospitality may be more readily offered to staff. Examples of the types of hospitality and gifts which might be recorded in such a register would include payments towards the Fund's travel and accommodation costs. The Fund may wish to establish a de-minimus limit for this in order to ensure that maintenance of the record is not burdensome.

53. The Fund does not currently have any established mechanism to allow staff to raise concerns about suspected fraud or misconduct. International organisations are increasingly establishing mechanisms to ensure staff have clear contacts to which such allegations might be reported and it is particularly relevant to the Fund given the absence of an internal audit function. Ultimately such a policy may provide the facility for allegations to be made direct to the External Auditor in the event that the internal process cannot be used. We would encourage the Fund to establish such 'whistleblowing' arrangements to protect staff.

*Recommendation 2: We recommend that the Secretariat establish clear procedures for the maintenance of registers of interest and for the receipt of hospitality and gifts. Compliance with these arrangements and with the Funds other conduct requirements could be acknowledged on an annual basis by annual confirmation by staff.*

*Recommendation 3: We recommend that the Secretariat establish a procedure to provide a clear reporting line for staff to make disclosures of suspect misconduct of staff, and to ensure that it provides protection for staff that make genuine disclosures.*

**Risk management**

54. A key objective of any organisation is to retain the confidence of its key stakeholders and to ensure the maintenance of its reputation and credibility. Potential risks, such as the misuse of funds, inadequate resourcing, failure of IT and business systems, staff succession planning and other physical and operational risks which, if left unmanaged, could damage the operational effectiveness of the Fund. The assessment of risk is critical in providing a focus for management to establish controls and procedures in priority areas, and there is a trend in both public and private organisations to use such arrangements to identify and prioritise risk and communicate the ways in which these are being controlled.

55. The Secretariat is currently developing a risk register, facilitated by an external consultant. The process is being conducted in close co-operation with the Audit Body which is playing an active role in reviewing management's progress. We are encouraged by the actions the Fund is taking to establish risk management, and encourage the conclusion of this process, across the major activities of the Fund. In the climate of change arising from the appointment of a new Director next year

and the creation of a new Supplementary Fund, the need to establish a systematic process for assessing and maintaining risk registers across all Fund activities is becoming increasingly important.

56. Robust risk management procedures, informed and overseen by an audit committee, can develop this process further by providing additional scrutiny and objective comment. The Audit Body has already begun to actively consider the Fund's approach to risk management. By doing so it plays a vital role in raising awareness and emphasises the importance of systematic risk management. The Audit Body can add further value to this process through its review of identified risks and their mitigating controls.

> ***Recommendation 4: We encourage the Secretariat to continue to develop and conclude its risk identification process to ensure that a comprehensive and systematic risk assessment framework is established to provide assurance to Member States.***

**The Audit Body**

57. The operation of an effective, expert oversight body is a key aspect of corporate governance. In October 2002, the Assembly of the 1992 Fund and the Administrative Council of the 1971 Fund, established a joint Audit Body, with a mandate approved by the Assembly similar to those of Audit Committees in other entities. In March 2005 it was decided by the respective governing bodies that the joint Audit Body was to carry out its functions on behalf of the 1992 Fund, the 1971 Fund and the Supplementary Fund.

58. A representative of the External Auditor has been present at each of the Audit Body meetings to date. During 2004 we provided observations to the Audit Body and participated in discussions on a number of key issues. Additionally we presented a number of reports; a Management Letter – identifying operational matters arsing from our audit of the financial statements for 2003; an Audit

Strategy – recording the basis of audit work, our identified risks and how the audit will address these risks; and an Interim Report – summarising items arsing from our planning and interim visits on the audit of 2004.

59. Since its inception, we are pleased to note that the presence and mandate of the Audit Body have been included in the Financial Regulations of the respective IOPC Funds. The mandate and the functioning of the Audit Body is reviewed by the governing bodies every three years, and a review is due in October 2005. We encourage the Assembly to support the work of the Audit Body, since it provides a valuable and effective oversight function on behalf of Member States and is a key component in the overall framework of governance. The key benefits which we believe the Body provides to the Assembly are:

- Reviewing the internal controls of the IOPC Funds and the adequacy of its financial reporting;
- Evaluating the financial results of the IOPC Funds and seeking explanations for variances;
- Continuing open and unambiguous communication with the External Auditor and confirming the quality of the assurance process to the Assembly;
- Monitoring the Secretariat's compliance and implementation of external audit recommendations; and
- Providing commentary on the adequacy of the Fund's risk management arrangements.

# Progress on prior year recommendations

60. There are no matters arising from my 2003 audit that are not covered in this report.

# Acknowledgement

61. We are grateful for the assistance and co-operation provided by the Director and the staff of the 1992 Fund during our audit.

John Bourn.

**Sir John Bourn**

**Comptroller and Auditor General, United Kingdom**

**External Auditor**

# Annex I

# Scope and audit approach

## Audit scope

1. Our audit examined the financial statements of the International Oil Pollution Compensation Fund 1992 (the 1992 Fund) for the financial period ended 31 December 2004 in accordance with Financial Regulation 13 of the Financial Regulations.

## Audit objectives

2. The main purpose of the audit was to enable us to form an opinion as to whether the financial statements fairly presented the Fund's financial position, its surplus, funds and cash flows for the year ended 31 December 2004; and whether they had been properly prepared in accordance with the Financial Regulations.

## Audit standards

3. Our audit was conducted in accordance with the International Standards on Auditing (ISAs) as issued by the International Auditing and Assurance Standards Board (IAASB). These standards required us to plan and carry out the audit so as to obtain reasonable assurance that the financial statements are free from material misstatement. Management were responsible for preparing these financial statements and the External Auditor is responsible for expressing an opinion on them, based on evidence obtained during the audit.

## Audit approach

4. In accordance with the ISAs, our audit included a general review of the accounting systems and such tests of the accounting records and internal control procedures as we considered necessary in the circumstances. The audit procedures are designed primarily for the purpose of forming an opinion on the Fund's financial statements. Consequently our work did not involve detailed review of all aspects of financial and budgetary systems from a management perspective, and the results should not be regarded as a comprehensive statement of all weaknesses that exist or all improvements that might be made.

5. Our audit also included focused work in which all material areas of the financial statements were subject to direct substantive testing. A final examination was carried out to ensure that the financial statements accurately reflected the Fund's accounting records; that the transactions conformed to the financial regulations and directives issued by the Assembly; and were fairly presented.

* * *

# FINANCIAL STATEMENTS OF THE INTERNATIONAL OIL POLLUTION COMPENSATION FUND 1992 FOR THE YEAR ENDED 31 DECEMBER 2004

## AUDIT OPINION

**To: the Assembly of the International Oil Pollution Compensation Fund 1992**

I have audited the accompanying financial statements, comprising Statements I to VII, Schedules I to III and the supporting Notes of the International Oil Pollution Compensation Fund 1992 for the financial period ended 31 December 2004. These financial statements are the responsibility of the Director. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with the International Standards on Auditing (ISAs) as issued by the International Auditing and Assurance Standards Board (IAASB). Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, and as considered by the auditor to be necessary in the circumstances, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Director, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for the audit opinion.

In my opinion, these financial statements present fairly, in all material respects, the financial position as at 31 December 2004 and the results of operations and cash flows for the period then ended in accordance with the 1992 Fund's stated accounting policies set out in Note 1 of the financial statements, which were applied on a basis consistent with that of the preceding financial period.

Further, in my opinion, the transactions of the 1992 Fund, which I have tested as part of my audit have in all significant respects been in accordance with the Financial Regulations and legislative authority.

In accordance with Financial Regulation 13, I have also issued a long-form Report on my audit of the Fund's financial statements.

John Bourn

**Sir John Bourn**
**Comptroller and Auditor General**
**United Kingdom**
**External Auditor**

**London, 30 June 2005**

# ANNEX IV

# FINANCIAL STATEMENTS

# OF THE INTERNATIONAL OIL

# POLLUTION COMPENSATION FUND 1992

# FOR THE FINANCIAL YEAR

# ENDED 31 DECEMBER 2004

## CONTENTS

**Page No.**

## CERTIFICATION OF THE FINANCIAL STATEMENTS

The appended financial statements numbered I to VII and the supporting schedules are certified.

Måns Jacobsson
Director

Ranjit S P Pillai
Head Finance & Administration Department

STATEMENT I

**GENERAL FUND**

STATEMENT OF BUDGET APPROPRIATIONS AND OBLIGATIONS INCURRED FOR THE FINANCIAL PERIOD 1 JANUARY - 31 DECEMBER 2004

| | CLASS OF EXPENDITURE | NOTE | BUDGET APPROPRIATIONS | | REVISED BUDGET APPROPRIATIONS | | OBLIGATIONS INCURRED | | BALANCE OF APPROPRIATIONS | | OBLIGATIONS | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 | 1992 Fund | 1971 Fund |
| | SECRETARIAT | | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ |
| I | PERSONNEL | | | | | | | | | | | |
| a | Salaries | | 1 341 000 | 1 275 816 | 1 341 000 | 1 254 254 | 1 161 433 | 1 105 414 | 179 567 | 148 840 | 1 161 433 | - |
| b | Separation and recruitment | | 115 000 | 35 000 | 115 000 | 40 623 | 29 619 | 40 623 | 85 381 | - | 29 619 | - |
| c | Staff benefits, allowances and training | | 551 800 | 523 341 | 551 800 | 523 341 | 399 377 | 400 877 | 152 423 | 122 464 | 399 377 | - |
| | | | 2 007 800 | 1 834 157 | 2 007 800 | 1 818 218 | 1 590 429 | 1 546 914 | 417 371 | 271 304 | 1 590 429 | - |
| II | GENERAL SERVICES | | | | | | | | | | | |
| a | Rent of office accommodation | | 249 700 | 249 700 | 249 700 | 249 700 | 235 995 | 236 049 | 13 705 | 13 651 | 235 995 | - |
| b | Office machines | | 90 000 | 71 500 | 90 000 | 71 500 | 45 284 | 46 870 | 44 716 | 24 630 | 45 284 | - |
| c | Furniture and other office equipment | | 17 500 | 17 500 | 17 500 | 17 500 | 6 527 | 8 366 | 10 973 | 9 134 | 6 527 | - |
| d | Office stationery and supplies | 2 | 20 000 | 20 000 | 13 587 | 20 000 | 12 448 | 16 001 | 1 139 | 3 999 | 12 448 | - |
| e | Communications | | 65 000 | 65 000 | 65 000 | 65 000 | 55 193 | 52 890 | 9 807 | 12 110 | 55 193 | - |
| f | Other supplies and services | 2 | 41 000 | 41 000 | 47 413 | 40 642 | 47 413 | 28 565 | - | 12 077 | 47 413 | - |
| g | Hospitality | | 18 000 | 22 500 | 18 000 | 22 858 | 16 875 | 22 858 | 1 125 | - | 16 875 | - |
| h | Public information | 2 | 180 000 | 180 000 | 179 560 | 180 000 | 86 027 | 126 354 | 93 533 | 53 646 | 86 027 | - |
| | | | 681 200 | 667 200 | 680 760 | 667 200 | 505 762 | 537 953 | 174 998 | 129 247 | 505 762 | - |
| III | MEETINGS | 2 | 145 000 | 126 500 | 145 440 | 126 500 | 145 440 | 111 913 | - | 14 587 | 145 440 | - |
| IV | TRAVEL | | | | | | | | | | | |
| | Conferences, seminars and missions | | 100 000 | 70 000 | 100 000 | 70 000 | 84 415 | 58 056 | 15 585 | 11 944 | 84 415 | - |
| V | MISCELLANEOUS EXPENDITURE | | | | | | | | | | | |
| a | External Audit | | 53 250 | 50 000 | 53 250 | 50 000 | 53 250 | 50 000 | - | - | 53 250 | - |
| b | Consultants' fees | | 125 000 | 125 000 | 125 000 | 118 924 | 87 455 | 118 924 | 37 545 | - | 87 455 | - |
| c | Audit Body | | 90 000 | 50 000 | 90 000 | 72 015 | 82 075 | 72 015 | 7 925 | - | 82 075 | - |
| d | Investment Advisory Body | | 30 000 | 30 000 | 30 000 | 30 000 | 30 000 | 30 000 | - | - | 30 000 | - |
| | | | 298 250 | 255 000 | 298 250 | 270 939 | 252 780 | 270 939 | 45 470 | - | 252 780 | - |
| VI | UNFORESEEN EXPENDITURE | | 60 000 | 60 000 | 60 000 | 60 000 | 45 787 | 18 020 | 14 213 | 41 980 | 45 787 | - |
| **TOTAL I - VI** | | | 3 292 250 | 3 012 857 | 3 292 250 | 3 012 857 | 2 624 613 | 2 543 795 | 667 637 | 469 062 | 2 624 613 | - |
| VII | **Expenditure relating only to 71Fund (Note 10)** | | | | | | | | | | | |
| (a) | Management fee payable to 1992 Fund | | 325 000 | - | 325 000 | - | 325 000 | - | - | - | (325 000) | 325 000 |
| (b) | Costs for winding up of the 1971 Fund | | 250 000 | 250 000 | 250 000 | 250 000 | 17 145 | - | 232 855 | 250 000 | - | 17 145 |
| (c) | External audit fees for 2003 Financial Statements-1971 Fund only | | 15 000 | - | 15 000 | - | 15 000 | - | - | - | (15 000) | 15 000 |
| **TOTAL OBLIGATIONS 1992 FUND / 1971 FUND** | | | | | | | | | | | 2 284 613 | 357 145 |

Note A: This statement deals only with administrative expenditure. Expenditure in respect of claims is dealt with in Statement III for the General Fund and in Statements IV.1 to IV.3 for the various Major Claims Funds.

STATEMENT II

SUMMARY OF INCOME AND EXPENDITURE ACCOUNT OF THE GENERAL FUND AND MAJOR CLAIMS FUNDS
FOR THE FINANCIAL PERIOD 1 JANUARY - 31 DECEMBER 2004

| | 2004 | | | | | 2004 | *2003* |
|---|---|---|---|---|---|---|---|
| | **General Fund** | **Nakhodka** | **Erika** | **Prestige** | **Provident Fund** | **Total** | ***Total*** |
| **INCOME** | £ | £ | £ | £ | £ | £ | £ |
| **Contributions** | | | | | | | |
| Contributions & adjustments to prior years' assessment | 7 300 353 | - | - | 74 356 593 | 323 907 | 81 980 853 | *31 173 561* |
| Reimbursement to contributors | - | (37 700 028) | - | - | - | (37 700 028) | *-* |
| | **7 300 353** | **(37 700 028)** | **-** | **74 356 593** | **323 907** | **44 280 825** | ***31 173 561*** |
| **Miscellaneous** | | | | | | | |
| Sundry income/ repayment of housing loan | 22 480 | - | 51 | - | 29 000 | 51 531 | *11 925* |
| Interest on loans | 25 328 | 231 744 | - | - | - | 257 072 | *67 516* |
| Interest on overdue contributions | 11 245 | 7 351 | 1 274 | 80 635 | - | 100 505 | *32 347* |
| Interest on investments | 1 021 033 | 54 614 | 2 529 820 | 931 731 | 110 962 | 4 648 160 | *5 308 661* |
| | **1 080 086** | **293 709** | **2 531 145** | 1 012 366 | **139 962** | **5 057 268** | ***5 420 449*** |
| **Total income** | **8 380 439** | **(37 406 319)** | **2 531 145** | **75 368 959** | **463 869** | **49 338 093** | ***36 594 010*** |
| **EXPENDITURE** | | | | | | | |
| **Secretariat expenses** | | | | | | | |
| Obligations incurred | 2 284 613 | - | - | - | - | 2 284 613 | *2 010 655* |
| **Claims** | | | | | | | |
| Compensation | 1 930 001 | - | 7 502 681 | 123 033 | - | 9 555 715 | *63 553 406* |
| Claims related expenses | 367 228 | - | 2 008 747 | 2 614 404 | - | 4 990 379 | *6 211 052* |
| Loans/ withdrawals | - | - | - | - | 288 079 | 288 079 | *177 775* |
| **Total expenditure** | **4 581 842** | **-** | **9 511 428** | **2 737 437** | **288 079** | **17 118 786** | ***71 952 888*** |
| Income less expenditure | **3 798 597** | **(37 406 319)** | **(6 980 283)** | **72 631 522** | **175 790** | | |
| Exchange adjustment | 14 | - | 260 148 | 254 580 | - | | |
| Balance b/f: 1 January | 21 565 602 | 38 120 339 | 67 500 016 | (40 007 044) | 1 779 825 | | |
| **Balance as at 31 December** | **25 364 213** | **714 020** | **60 779 881** | **32 879 058** | **1 955 615** | | |

STATEMENT III

## GENERAL FUND

INCOME AND EXPENDITURE ACCOUNT FOR THE FINANCIAL PERIOD 1 JANUARY - 31 DECEMBER 2004

| | Note | 2004 | | *2003* | |
|---|---|---|---|---|---|
| **INCOME** | | £ | £ | £ | £ |
| **Contributions (Schedule I)** | | | | | |
| Contributions | | 6 906 194 | | *2 828 982* | |
| Adjustment to prior years' assessment | 3 | 394 159 | | *11 148* | |
| | | | 7 300 353 | | *2 840 130* |
| **Miscellaneous** | | | | | |
| Sundry income | 4 | 22 480 | | *680* | |
| Interest on loan to HNS Fund | 5 | 1 754 | | *1 230* | |
| Interest on loan to Supplementary Fund | 6 | 1 869 | | *723* | |
| Interest on loan to *Prestige* MCF | 7 | 21 705 | | *4 932* | |
| Interest on overdue contributions | 8 | 11 245 | | *10 136* | |
| Interest on investments | 9 | 1 021 033 | | *925 862* | |
| | | | 1 080 086 | | *943 563* |
| Total income | | | 8 380 439 | | *3 783 693* |
| **EXPENDITURE** | | | | | |
| **Secretariat expenses (Statement I)** | | | | | |
| Obligations incurred | 10 | | 2 284 613 | | *2 010 655* |
| **Claims (Schedule II)** | | | | | |
| Compensation | | | 1 930 001 | | *419 882* |
| **Claims related expenses (Schedule II)** | | | | | |
| Fees | | 353 070 | | *3 381 479* | |
| Travel | | 13 858 | | *41 915* | |
| Miscellaneous | | 300 | | *11 033* | |
| | | | 367 228 | | *3 434 427* |
| Total expenditure | | | 4 581 842 | | *5 864 964* |
| (Shortfall)/excess of income over expenditure | | | 3 798 597 | | *(2 081 271)* |
| Exchange adjustment | | | 14 | | *6 802* |
| Balance b/f: 1 January | | | 21 565 602 | | *23 640 071* |
| **Balance as at 31 December** | 22 | | **25 364 213** | | ***21 565 602*** |

STATEMENT IV.1

**NAKHODKA MAJOR CLAIMS FUND**

INCOME AND EXPENDITURE ACCOUNT FOR THE
FINANCIAL PERIOD 1 JANUARY - 31 DECEMBER 2004

| | Note | 2004 | | *2003* | |
|---|---|---|---|---|---|
| **INCOME** | | £ | £ | £ | £ |
| **Contributions (Schedule I)** | | | | | |
| Reimbursement to contributors | | (37 700 028) | | - | |
| | | | (37 700 028) | | - |
| **Miscellaneous** | | | | | |
| Interest on loan to *Prestige* MCF | 7 | 231 744 | | *60 631* | |
| Interest on overdue contributions | 8 | 7 351 | | *134* | |
| Interest on investments | 9 | 54 614 | | *1 278 706* | |
| | | | 293 709 | | *1 339 471* |
| Total income | | | (37 406 319) | | *1 339 471* |
| **EXPENDITURE (Schedule II)** | | | | | |
| Compensation | | - | | - | |
| Fees | | - | | *18 456* | |
| Travel | | - | | - | |
| Miscellaneous | | - | | *19* | |
| Total expenditure | | | - | | *18 475* |
| Excess/(Shortfall) of income over expenditure | | | (37 406 319) | | *1 320 996* |
| Balance b/f: 1 January | | | 38 120 339 | | *36 799 343* |
| **Balance as at 31 December** | | | **714 020** | | ***38 120 339*** |

STATEMENT IV.2

**ERIKA MAJOR CLAIMS FUND**

INCOME AND EXPENDITURE ACCOUNT FOR THE
FINANCIAL PERIOD 1 JANUARY - 31 DECEMBER 2004

| | **Note** | **2004** | | ***2003*** | |
|---|---|---|---|---|---|
| **INCOME** | | | | £ | £ |
| **Contributions (Schedule I)** | | | | | |
| Contributions (fourth levy) | | - | | *27 999 938* | |
| | | | - | | *27 999 938* |
| **Miscellaneous** | | | | | |
| Sundry income | | 51 | | - | |
| Interest on overdue contributions | 8 | 1 274 | | *22 077* | |
| Interest on investments | 9 | 2 529 820 | | *3 010 374* | |
| | | | 2 531 145 | | *3 032 451* |
| Total income | | | 2 531 145 | | *31 032 389* |
| **EXPENDITURE (Schedule II)** | | | | | |
| Compensation | | 7 502 681 | | *23 218 618* | |
| Fees | | 2 004 166 | | *2 659 213* | |
| Travel | | 3 303 | | *5 787* | |
| Miscellaneous | | 1 278 | | *1 395* | |
| Total expenditure | | | 9 511 428 | | *25 885 013* |
| Excess/(Shortfall) of income over expenditure | | | (6 980 283) | | *5 147 376* |
| Exchange adjustment | 11 | | 260 148 | | *(11 120)* |
| Balance b/f: 1 January | | | 67 500 016 | | *62 363 760* |
| **Balance as at 31 December** | | | **60 779 881** | | **67 500 016** |

STATEMENT IV.3

## PRESTIGE MAJOR CLAIMS FUND

INCOME AND EXPENDITURE ACCOUNT FOR THE
FINANCIAL PERIOD 1 JANUARY - 31 DECEMBER 2004

| | Note | 2004 | | *2003* | |
|---|---|---|---|---|---|
| **INCOME** | | | | £ | £ |
| **Contributions (Schedule I)** | | | | | |
| Contributions (first levy) | | 74 356 593 | | - | |
| | | | 74 356 593 | | - |
| **Miscellaneous** | | | | | |
| Interest on overdue contributions | 8 | 80 635 | | - | |
| Interest on investments | 9 | 931 731 | | - | |
| | | | 1 012 366 | | - |
| Total income | | | 75 368 959 | | - |
| **EXPENDITURE (Schedule II)** | | | | | |
| Compensation | | 123 033 | | *39 914 906* | |
| Fees | | 2 325 594 | | *19 385* | |
| Interest on loan from General Fund | 7 | 21 705 | | *4 932* | |
| Interest on loan from *Nakhodka* MCF | 7 | 231 744 | | *60 631* | |
| Travel | | 28 908 | | *4 309* | |
| Miscellaneous | | 6 453 | | *2 498* | |
| Total expenditure | | | 2 737 437 | | *40 006 661* |
| Excess/(Shortfall) of income over expenditure | | | 72 631 522 | | *(40 006 661)* |
| Exchange adjustment | 11 | | 254 580 | | *(383)* |
| Balance b/f: 1 January | 7 | | (40 007 044) | | - |
| **Balance as at 31 December** | | | **32 879 058** | | **(40 007 044)** |

STATEMENT V

**STAFF PROVIDENT FUND**

RECEIPTS AND PAYMENTS ACCOUNT FOR THE
FINANCIAL PERIOD 1 JANUARY - 31 DECEMBER 2004

| | Note | 2004 | *2003* |
|---|---|---|---|
| | | £ | £ |
| **Accounts of staff members as at 1 January** | | 1 779 825 | *1 519 143* |
| | | | |
| **RECEIPTS** | | | |
| Contributions of staff members | 12 | 103 969 | *107 164* |
| Contributions of IOPC Funds | 12 | 219 938 | *226 329* |
| Repayment of housing loan | | 29 000 | *11 245* |
| Interest received | 9,12 | 110 962 | *93 719* |
| | | 463 869 | *438 457* |
| **PAYMENTS** | | | |
| Housing loans | | 205 635 | *22 801* |
| Withdrawal on separation | | 82 444 | *154 974* |
| | | 288 079 | *177 775* |
| **Accounts of staff members as at 31 December** | | **1 955 615** | ***1 779 825*** |

STATEMENT VI

## BALANCE SHEET OF THE 1992 FUND AS AT 31 DECEMBER 2004

| | Note | 2004 | *2003* |
|---|---|---|---|
| **ASSETS** | | £ | £ |
| Cash at banks and in hand | 13 | 121 617 345 | *88 672 665* |
| Contributions outstanding | 14 | 656 728 | *71 578* |
| Interest on overdue contributions outstanding | 8 | 63 775 | *11 250* |
| Due from *Prestige* MCF to General Fund and *Nakhodka* MCF | | - | *40 007 044* |
| Due from HNS Fund | 5 | 54 185 | *37 511* |
| Due from Supplementary Fund | 6 | 45 539 | *38 506* |
| Due from 1971 Fund | 15 | 326 306 | *116 525* |
| Tax recoverable | 16 | 496 516 | *181 313* |
| Miscellaneous receivable | 17 | 24 373 | *170 086* |
| **TOTAL ASSETS** | | **123 284 767** | *129 306 478* |
| | | | |
| **LIABILITIES** | | | |
| Staff Provident Fund | 12 | 1 955 615 | *1 779 825* |
| Accounts payable | 18 | 20 882 | *18 109* |
| Unliquidated obligations | 19 | 91 394 | *98 261* |
| Prepaid contributions | 20 | 402 421 | *220 938* |
| Contributors' account | 21 | 1 077 283 | *3 388* |
| Due to *Nakhodka* MCF | | 714 020 | *38 120 339* |
| Due to *Erika* MCF | | 60 779 881 | *67 500 016* |
| Due to *Prestige* MCF | | 32 879 058 | *-* |
| **TOTAL LIABILITIES** | | **97 920 554** | *107 740 876* |
| | | | |
| **GENERAL FUND BALANCE** | 22 | **25 364 213** | *21 565 602* |
| | | | |
| **TOTAL LIABILITIES AND GENERAL FUND BALANCE** | | **123 284 767** | *129 306 478* |

STATEMENT VII

**CASH FLOW STATEMENT OF THE 1992 FUND**

**FOR THE FINANCIAL PERIOD 1 JANUARY - 31 DECEMBER 2004**

| | **2004** | | ***2003*** | |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Cash as at 1 January | | 88 672 665 | | *124 145 243* |
| **OPERATING ACTIVITIES** | | | | |
| Operating Surplus | 28 021 061 | | *(40 839 203)* | |
| Decrease/(Increase) in Debtors | (1 040 653) | | *21 093* | |
| Increase/(Decrease) in Creditors | 1 271 166 | | *36 693* | |
| Net cash flow from operating activities | | 28 251 574 | | *(40 781 417)* |
| | | | | |
| **RETURNS ON INVESTMENTS** | | | | |
| Interest on investments | 4 693 106 | | *5 308 839* | |
| Net cash inflow from returns on investments | | 4 693 106 | | *5 308 839* |
| **Cash as at 31 December** | | **121 617 345** | | ***88 672 665*** |

## NOTES TO FINANCIAL STATEMENTS

### 1 Significant Accounting Policies

In accordance with the 1992 Fund's Financial Regulation 12.3(b) and in compliance with United Nations accounting standards where appropriate, the principal accounting policies followed in arriving at the financial information given in the respective statements are set out below.

(a) Rules and procedures

The financial statements are prepared in accordance with the Financial Regulations of the 1992 Fund, and in compliance with the provisions of the 1992 Fund Convention and the Internal Regulations of the 1992 Fund.

(b) Basis of preparation

The accounts are prepared on the basis of a General Fund, Major Claims Funds and a Provident Fund, as laid down in Financial Regulation 7.

The financial year is the calendar year.

(c) Accounting convention

The accounts are prepared under the historical cost convention, modified to the extent that the cost of all property acquired is immediately charged as an expense, in accordance with Financial Regulation 11.4. Therefore, office machines, furniture and other supplies are not shown as assets in the Balance Sheet.

(d) Administrative expenditure

Expenditure comprises payments and unliquidated obligations incurred in respect of the current budget year.

Obligations are recorded on the basis of contracts, purchase orders, agreements or other forms of legal undertaking.

Unliquidated obligations are obligations or that part of obligations which are not yet paid. In accordance with Financial Regulation 6.4, appropriations for unliquidated obligations remain available to discharge legal obligations for 24 months following the end of the financial period to which they relate.

The amounts are net of Value Added Tax.

(e) Expenditure arising out of incidents

Expenditure arising out of incidents is charged in the year of payment. There is no specific appropriation to meet any settlement of claims.

Expenses up to 4 million Special Drawing Rights (SDRs) in respect of any one incident are charged to the General Fund in accordance with Financial Regulation 7.1(c)(i), and expenses over that amount in respect of any one incident are charged to the Major Claims Fund constituted for the incident in question in accordance with Financial Regulation 7.2(d).

A report on expenditure arising out of incidents is provided in **Schedule II**.

(f) Contingent liabilities

In accordance with Financial Regulation 12.3(b), details of contingent liabilities are given in **Schedule III**. Estimates of contingent liabilities include all known or likely claims against the 1992 Fund. All these claims may not necessarily mature. In the case of fees, these are calculated for the coming year only, due to the difficulties of predicting the length and cost of legal proceedings or of negotiations for reaching out-of-court settlements. Those liabilities which mature will, under the 1992 Fund Convention, be met from contributions levied by the Assembly.

(g) Income

Income is based on firm revenues due in the financial period and either received or receivable in this period.

Income from contributions is included only after the contributions are invoiced on the basis of figures on contributing oil receipts reported by Member States. Interest on overdue contributions is included only in the year in which the overdue annual contribution is actually paid.

Investment income is based only on interest received from investments maturing during the financial period.

A report on contributions is provided in **Schedule I**.

(h) Investments

Investments of the 1992 Fund's assets include the assets of the Staff Provident Fund and the Contributors' account, which are merged with the 1992 Fund's assets for investment purposes, in order to obtain the best interest rates which only the substantial amounts held by the 1992 Fund can attract.

Investments of assets of Major Claims Funds may be made in currencies other than Pounds sterling to meet payments in respect of a particular incident. The interest earned on investments in currencies other than Pounds sterling are credited directly to the respective Major Claims Fund.

(i) Loans between funds

Financial Regulations 7.1(c)(iv) and 7.2(d), respectively, provide that loans can be made from the General Fund to a Major Claims Fund and from a Major Claims Fund to the General Fund or to another Major Claims Fund. Such loans shall be reimbursed with interest, in accordance with Financial Regulations 7.1(a)(iv) and 7.2(b)(iii).

Interest on any loan made is calculated at a preferential rate above the lowest London clearing bank base rate.

(j) Translation of currencies

The majority of the 1992 Fund's assets and liabilities at the end of the financial period 2004 were held in Pounds sterling. Gains and losses arising from foreign currency exchange transactions during the relevant accounting period are treated as normal items of operation.

If in relation to Major Claims Funds currencies are bought for Pounds sterling and invested in accordance with Financial Regulation 10.4(a), any gains or losses at the end of the financial year arising from holding these currencies are credited or debited to the respective Funds.

Payments made in foreign currencies are converted into sterling at the rate of exchange obtained from the bank on the date of transaction. Payments made from foreign currency bought for sterling and invested have been converted at the rate at which the currency was purchased, on a first in first out basis.

Any gains or losses at the end of the financial year arising from holding monetary items, i.e assets to be received in determinable amounts of money, are credited or debited to the respective Funds.

For the translation of all monetary assets and liabilities, the rate applied is the rate of exchange for the Pound sterling against various currencies on 31 December 2004 as published in the London Financial Times.

## 2 Revised budget appropriations

Excess expenditure resulting in revised budget appropriations and met by budgetary transfers as provided in Financial Regulation 6.3 is notified to the Assembly in the Director's Comments on Financial Statement I. Within the authority given to the Director under Financial Regulation 6.3 one transfer was made within Chapters, namely:

| *Chapter* | *Transfer from appropriation* | *Transfer to appropriation* | *Amount £* |
|---|---|---|---|
| II | Office stationery and supplies | Other supplies and services | 6 413 |

and one transfer between Chapters

| *Chapter* | *Transfer from appropriation* | *Chapter* | *Transfer to appropriation* | *Amount £* |
|---|---|---|---|---|
| II | Public information | III | Meetings | 440 |

## 3 Adjustments to prior years' assessments

Adjustments in respect of contributions totaling £394 159 were made on the basis of reports on contributing oil receipts in previous years as set out below:

| | State | Contributions levied £ | Reason for levy |
|---|---|---|---|
| General Fund 2001 | Algeria | 1 700 | Oil report received late |
| General Fund 2002 | Algeria | 923 | Oil report received late |
| General Fund 2001 | India | 155 148 | Oil report received late |
| General Fund 2002 | India | 183 842 | Oil report received late |
| General Fund 2000 | Italy | (11 411) | Oil report adjusted |
| General Fund 2001 | Italy | (25 527) | Oil report adjusted |
| General Fund 2001 | Morocco | 9 458 | Oil report received late |
| General Fund 2000 | Panama | 14 133 | Oil report received late |
| General Fund 2001 | Panama | 9 220 | Oil report received late |
| General Fund 2002 | Panama | 6 985 | Oil report received late |
| General Fund 2002 | Russian Federation | 1 283 | Oil report received late |
| General Fund 2001 | Trinidad and Tobago | 16 479 | Oil report received late |
| General Fund 2002 | Trinidad and Tobago | 10 908 | Oil report received late |
| General Fund 2002 | Turkey | 21 018 | Oil report received late |

**4** **Sundry income**

The figure of £22 480 comprises

(a) an amount of £14 524 due to a contributor which could not be reimbursed since that contributor no longer existed and therefore that amount was transferred from the Contributors' account to the General Fund;

(b) an amount of £7 956 being unliquidated obligations as at 31 December 2003 not having materialised as at 31 December 2004.

**5** **Due from the International Hazardous and Noxious Substance Fund**

At its October 2001 session the Assembly instructed the Director to develop a system in the form of a website or CD-Rom to assist States and potential contributors in the identification and reporting of contributing cargo under the International Convention on Liability and Compensation for Damage in Connection with the Carriage of Hazardous and Noxious Substances by Sea, 1996 (HNS Convention). It was decided that all costs incurred would be reimbursed to the 1992 Fund by the International Hazardous and Noxious Substances Fund (HNS Fund) when the HNS Convention entered into force. It was noted that the related costs would be paid from the General Fund (document 92FUND/A.6/28, paragraphs 28.5 and 28.6). In May 2003, the Administrative Council, acting on behalf of the Assembly, instructed the Director to continue to study issues on the administrative preparations for the setting up of the HNS Fund (document 92FUND/AC.1/A/ES.7/7, paragraph 6.8).

The figure of £1 754 in Statement III represents interest due on loans of £50 590 made by the General Fund to the HNS Fund. This amount includes loans totalling £14 920 from the General Fund made during the financial period 2004. The total amount due from the HNS Fund, including cumulative interest, is £54 185.

**6** **Due from the Supplementary Fund**

At its 6th extraordinary session held in April /May 2002, the Assembly decided to make available to the International Maritime Organization (IMO) funds to finance a Diplomatic Conference in the Spring of 2003 for the adoption of a Protocol establishing a Supplementary Fund (the ensuing costs estimated by IMO at £56 500) on the understanding that the amount paid to IMO would be reimbursed, with interest, to the 1992 Fund by the Supplementary Fund when the Protocol establishing that Fund had entered into force (document 92FUND/A/ES.6/10, paragraph 6.11). A Protocol establishing such a Supplementary Fund was adopted in May 2003.

The figure of £1 869 in Statement III represents interest due on loans of £42 948 made since 2003 by the General Fund to the Supplementary Fund. This amount includes loans totaling £5 164 from the General Fund made during the financial period 2004. The total amount due from the Supplementary Fund, including cumulative interest, is £45 539.

The Protocol entered into force on 3 March 2005. As decided by the 1992 Fund Assembly and the Supplementary Fund Assembly the loans taken by the Supplementary Fund will be repaid to the 1992 Fund in 2006 when the Supplementary Fund receives its first levy of contributions (documents 92FUND/A/ES.9/28, paragraph 20.2 and SUPPFUND/A.1/39, paragraph 35.2).

**7** **Loans made from General Fund or Major Claims Funds**

As set out in Note 1(i) above interest is charged on loans made from the General Fund to a Major Claims Fund or from a Major Claims Fund to the General Fund or to another Major Claims Fund. In the context of a consolidated Balance Sheet the balance due to either the General Fund or another Major Claims Fund is treated as an asset of the General Fund or Major Claims Fund rather than as a deduction from the accumulated surplus on the General Fund or Major Claims Fund account.

At its first session in May 2003 the Administrative Council, acting on behalf of the Assembly, decided that the compensation payments and related expenses in respect of the *Prestige* incident over and above the 4 million SDRs payable from the General Fund should be financed by loans from the 1992 Fund *Nakhodka* Major Claims Fund and, if required and possible, from the General Fund or the *Erika* Major Claims Fund (cf document 92FUND/AC.1/A/ES.7/7, paragraph 5.14).

The amount of £21 705 in Statements III and IV.3 represents interest in 2004 calculated in accordance with Financial Regulation 7.2(b)(iii) on loans of £3 000 000 made in 2003 and on additional loans of £409 550 made in 2004 from the General Fund to the *Prestige* Major Claims Fund.

The amount of £231 744 in Statements IV.1 and IV.3 represents interest in 2004 calculated in accordance with Financial Regulation 7.2(b)(iii) on loans of £36 735 168 made in 2003 from the *Nakhodka* Major Claims Fund to the *Prestige* Major Claims Fund.

The total amount due from the *Prestige* Major Claims Fund (including interest) was repaid to the General Fund and the *Nakhodka* Major Claims Fund on receipt of the contributions in respect of the *Prestige* Major Claims Fund in March 2004.

## 8 Interest on overdue contributions

Interest is charged at 2% above the lowest London clearing bank base rate on unpaid contributions from the date on which payment is due, in accordance with Article 13.1 of the 1992 Fund Convention and Internal Regulation 3.9.

As set out in Note 1(g) above interest on overdue contributions, either received or receivable, is included only in the year in which the outstanding contribution is paid. Therefore when an outstanding contribution is paid, an invoice is raised in respect of the corresponding interest and the interest income is accounted for. Interest is charged on contributions outstanding for the whole period for which they remain outstanding. Such income is shown under 'Miscellaneous' in the Income and Expenditure statements of the General Fund and respective Major Claims Funds as 'Interest on overdue contributions'.

Interest on overdue contributions is shown as an asset on the balance sheet (Interest on overdue contributions outstanding) until it is received.

Interest on overdue contributions totalling £63 775 was receivable as at 31 December 2004 which is made up as follows:

| | £ |
|---|---|
| General Fund | 6 748 |
| *Nakhodka* Major Claims Fund | 92 |
| *Erika* Major Claims Fund | 453 |
| *Prestige* Major Claims Fund | 56 482 |
| | 63 775 |

## 9 Interest on investments

As at 31 December 2004 the 1992 Fund's portfolio of investments comprised of the 1992 Fund's term and bank deposits (the General Fund, the Contributors' Account, the *Nakhodka* Major Claims Fund, the *Erika* Major Claims Fund and the *Prestige* Major Claims Fund) of £119 661 730, and the Staff Provident Fund's assets of £1 955 615. In relation to the *Erika* and *Prestige* Major Claims Funds investments were also held in Euro, and these investments are included in the sum of £119 661 730. The interest earned on Euro investments are credited directly to the respective Major Claims Fund. The distribution of the deposits is set out in Note 13.

Interest received in 2004 on the investments amounted to £4 693 106. This amount is distributed as follows:

| | £ |
|---|---|
| General Fund | 1 021 033 |
| Contributors' account | 44 946 |
| *Nakhodka* Major Claims Fund | 54 614 |
| *Erika* Major Claims Fund | 2 529 820 |
| *Prestige* Major Claims Fund | 931 731 |
| Staff Provident Fund | 110 962 |
| | 4 693 106 |

**10 Obligations incurred**

The figure of £2 284 613 represents the 1992 Fund's share of the costs of running the joint Secretariat (see Statement I).

The 1992 Fund Assembly, at its 8th session, and the 1971 Fund Administrative Council, at its 12th session, acting on behalf of the 1971 Fund Assembly, respectively, decided that the 1971 Fund should pay a flat management fee, set approximately at 10% of the joint administrative expenses, for the cost of running the joint Secretariat for 2004. The fee was set in the budget at £325 000 for the period 1 January to 31 December 2004 (documents 92FUND/A.8/30, paragraph 24.1 and Annex and 71FUND/AC.12/22, paragraph 19.1 and Annex).

The expenditure under Chapter VII relates only to the 1971 Fund and consists of the management fee payable by the 1971 Fund to the 1992 Fund, the external audit fees for the 1971 Fund and the cost for winding up of the 1971 Fund.

**11 Exchange adjustment**

With respect to the *Erika* and *Prestige* Major Claims Funds, Euros were bought for sterling and invested. Compensation payments made in Euros in respect of the *Erika* and *Prestige* incidents have been converted at the rate at which the currency was purchased, on a first in first out basis. As at 31 December 2004 there was an exchange gain of £258 102 from currency revaluation of Euros held in London and Lorient with respect to the *Erika* Major Claims Fund and an exchange gain of £246 509 from currency revaluation of Euros held in London, Bordeaux and Madrid with respect to the *Prestige* Major Claims Fund.

The exchange gain from revaluation of taxes to be reimbursed in Euros by the French and Spanish authorities as at 31 December 2004 were £2 046 and £8 071 in relation to the *Erika* Major Claims Fund and the *Prestige* Major Claims Fund respectively.

Exchange gains have been credited to the respective Fund (Note 1(j)).

**12 Staff Provident Fund (Statement V)**

The rate of contribution for staff members is 7.9% of their respective pensionable remuneration and for the 1992 Fund 15.8% of that remuneration, pursuant to Staff Rule VIII.5(b).

The Provident Fund is invested together with the 1992 Fund's assets. The basis of calculation of the interest on the Provident Fund is that laid down by the 1971 Fund Executive Committee at its 2nd session (Record of Decisions, document FUND/EXC.2/6, item 6). Interest is calculated and fixed monthly by the Director according to investments held during that month.

The interest earned relating to the period from 1 January to 31 December 2004 was £110 962

## 13 Assets

(a) Cash at bank and in hand

The amount of £121 617 345, which includes a balance of £1 077 283 on the Contributors' Account and £1 955 615 on the Staff Provident Fund, was held in various financial institutions and accounts as follows:

**Time deposit accounts**

| | £ | £ |
|---|---|---|
| Pounds sterling | | |
| ABN Amro | 5 000 000 | |
| Alliance & Leicester plc | 7 750 000 | |
| Banco Bilbao Vizcay Argentaria | 2 000 000 | |
| Bank of Ireland | 6 000 000 | |
| Barclays Bank plc | 600 000 | |
| BNP Paribas | 2 500 000 | |
| Danske Bank | 3 000 000 | |
| DePfa Bank plc | 8 000 000 | |
| Dexia Banque à Luxembourg | 11 300 000 | |
| HSH Nordbank | 7 000 000 | |
| Landesbank Berlin | 11 000 000 | |
| Landesbank-Hessen Thüringen | 5 500 000 | |
| National Australia Bank Ltd | 3 000 000 | |
| Nationwide Building Society | 11 750 000 | |
| Norddeutsche Landesbank | 4 500 000 | |
| UniCredito Italiano SpA | 6 750 000 | |
| | | 95 650 000 |
| Foreign Currency Deposits | | |
| *Erika* Major Claims Fund | 7 590 095 | |
| *Prestige* Major Claims Fund | 7 295 780 | |
| | | 14 885 875 |
| **Current and call deposits accounts** | | |
| Bank of Scotland – Call a/c | 10 520 626 | |
| Barclays Bank plc - £ Business Premium/ Current a/cs | 307 673 | |
| HSBC Bank - Money Manager a/c | 253 022 | |
| Petty cash imprest a/c | 149 | |
| | | 11 081 470 |
| | | 121 617 345 |

(b) Office machines, furniture and other supplies

As mentioned under Note 1(c), office machines, furniture and other supplies are not shown as assets in the Balance Sheet.

As at 31 December 2004 the purchase value of these supplies and equipment, including furniture and equipment purchased during 2004, amounts to £417 383 made up as follows:

| | Office equipment £ | Office furniture £ | Library £ |
|---|---|---|---|
| Balance b/f | 228 212 | 128 481 | 15 896 |
| Additions in 2004 | 56 124 | 6 528 | 1 484 |
| Less disposals/ adjustments in 2004 | (18 701) | (641) | - |
| Balance c/f | 265 635 | 134 368 | 17 380 |

**14 Contributions outstanding**

Outstanding contributions due to the 1992 Fund as at 31 December 2004 totaled £656 728. A report on contributions outstanding for previous financial years is provided in **Schedule I**.

**15 Payment due from 1971 Fund**

As at 31 December 2004, an amount of £326 306 was due from the 1971 Fund to the 1992 Fund made up as follows:

| | £ |
|---|---|
| Management fee payable by 1971 Fund for 2004 | 325 000 |
| Add: 1992/1971 inter fund account balance as at 31.12 2004 | 1 306 |
| | 326 306 |

The amount of £116 525 due from the 1971 Fund to the 1992 Fund for the financial year 2003 was paid by the 1971 Fund on 13 July 2004.

**16 Tax recoverable**

The amount of £496 516 is made up as follows:

| | | € | £ |
|---|---|---|---|
| Due from the United Kingdom Government | VAT | | 65 231 |
| | Insurance Premium Tax / Airport Departure Tax | | 3 710 |
| Due from the French Government | TVA | 130 595 | 92 457 |
| Due from the Spanish Government | IVA | 473 355 | 335 118 |
| | | Total | 496 516 |

**17 Miscellaneous receivable**

The amount of £24 373 consists mainly of the following:

(a) £19 209 paid to BUPA for 2005 subscriptions to the health insurance scheme, 50% of which will be reimbursed by staff members and 50% to be charged to 2005 expenditure;

(b) £4 126 representing salary advances to be reimbursed by staff members in 2005 under Staff Rule IV.11; and

(c) £1 027 due from staff members and travel agent in relation to travel in 2004.

**18 Accounts payable**

The amount of £20 882 consists of the following:

(a) £460 due to web domain provider;

(b) £16 034 payable to staff members in relation to travel in 2004;

(c) £3 211 being National Insurance Contributions payable in January 2005; and

(d) £1 177 representing amounts due to Company Barclaycard.

**19 Unliquidated obligations**

The figure of £91 394 is made up of obligations incurred in 2004 but unliquidated at 31 December 2004.

The unliquidated obligations consist of the following amounts:

(a) £38 322 due to the International Maritime Organization (IMO) in respect of interpreter fees and rent of office space in the IMO building;

(b) £8 660 in relation to IT security and back up;

(c) £8 797 for scanning of contribution files, including oil reports;

(d) £8 342 in relation to costs relating to the staff entitlements; and

(e) £27 273 for miscellaneous supplies.

**20 Prepaid contributions**

The amount of £402 421 represents 2004 contributions, due by 1 March 2005 but received in 2004, from contributors in the following Member States:

| Member State | General Fund<br>£ | *Prestige* MCF<br>£ | Total<br>£ |
|---|---|---|---|
| Denmark | 1 702 | 10 615 | 12 317 |
| Malta | 1 882 | 4 569 | 6 451 |
| Netherlands | 4 532 | 9 294 | 13 826 |
| New Zealand | 8 683 | 56 972 | 65 655 |
| Philippines | 19 240 | 142 821 | 162 061 |
| Singapore | 6 592 | 14 690 | 21 282 |
| Spain | - | 95 617 | 95 617 |
| Turkey | - | 25 212 | 25 212 |

**21 Contributors' account**

The amount of £1 077 283 is the balance on the Contributors' account after the deduction of amounts repaid to contributors or offset against contributions. The amount includes interest of £44 946 credited in 2004 to contributors as provided in Internal Regulation 3.10.

**22 General Fund Balance**

The figure of £25 364 213 represents the excess of Income over Expenditure in respect of the General Fund over the years.

The balance is higher than the working capital, which at 31 December 2004 was £22 million, as decided by the Assembly at its session in October 2004.

* * *

**SCHEDULE I**

**REPORT ON CONTRIBUTIONS AND REIMBURSEMENTS DURING THE FINANCIAL PERIOD 1 JANUARY - 31 DECEMBER 2004 AND ON CONTRIBUTIONS OUTSTANDING FOR PREVIOUS FINANCIAL PERIODS**

**1** The General Fund covers the 1992 Fund's expenses for the administration of the 1992 Fund Secretariat and for compensation payments and claims related expenditure up to a maximum amount for each incident of Pounds sterling equivalent of 4 million SDRs per incident converted at the rate applicable on the date of the incident. For an incident which gives rise to payments by the 1992 Fund in excess of 4 million SDRs, a Major Claims Fund is established to cover such payments.

**2** Contributions to the General Fund have to be paid by any person who received more than 150 000 tonnes of contributing oil (crude and heavy fuel oil) within the territory of a Member State of the 1992 Fund after sea transport in the preceding calendar year. Contributions to Major Claims Funds are levied on the basis of the quantities of contributing oil received in the year preceding that in which the incident occurred, if the State was a Member of the 1992 Fund at the time of the incident. In the case of associated persons (ie commonly controlled entities), the aggregate quantities received are taken into account for the purpose of establishing whether the figure of 150 000 tonnes is reached.

**3** Two States became Members of the 1992 Fund in 2004: Ghana and Cape Verde, resulting in 86 States being Members of the 1992 Fund as at 31 December 2004.

**4** At its session in October 2003 the Assembly decided to levy contributions (2003 contributions) with respect to the General Fund of £7 million and with respect to the *Prestige* Major Claims Fund of £75 million for payment by 1 March 2004. The Director was authorised to levy a further £35 million to the *Prestige* Major Claims Fund and £5.5 million to the *Erika* Major Claims Fund for payment during the second half of 2004, but this authorisation was not used. The Assembly further decided that reimbursement should be made in 2004 of £37.7 million from the surplus on the *Nakhodka* Major Claims Fund to contributors to that Fund. Details of 2003 contributions levied, reimbursements and outstanding contributions for previous financial periods are provided in this Schedule.

**5** Based on these Assembly's decisions, 2003 contributions of £6 906 194 were levied in respect of the General Fund and £74 356 593 in respect of the *Prestige* Major Claims Fund. An amount of £571 909 or 0.7% of the total amount levied remains outstanding as at 31 December 2004.

**6** A comprehensive report on the payment of contributions as at 5 October 2004 was submitted to the Assembly at its 9th session (document 92FUND/A.9/11). The report contained in this schedule is a comprehensive up-date of the earlier reports. The outstanding balances of contributions as at 31 December 2004, by Member State, can be summarised as follows:

| | Contribution Year | | | | | | |
|---|---|---|---|---|---|---|---|
| State | 1999 £ | 2000 £ | 2001 £ | 2002 £ | Total Previous Years | 2003 £ | Total £ |
| Algeria | | | | | - | 16 968.86 | 16 968.86 |
| Belgium | | | 3 039.37 | 2 994.71 | 6 034.08 | 71 306.64 | 77 340.72 |
| Germany | 6 172.77 | 3 869.27 | 3 869.27 | 4 333.58 | 18 244.89 | - | 18 244.89 |
| Jamaica | | | | | - | 16 293.71 | 16 293.71 |
| Panama | | 14 133.13 | 9 219.88 | 6 985.45 | 30 338.46 | 175 051.35 | 205 389.81 |
| Russian Federation | | | 1 532.40 | 1 282.52 | 2 814.92 | 32 571.27 | 35 386.19 |
| Trinidad & Tobago | | | 16 478.93 | 10 907.51 | 27 386.44 | 259 716.99 | 287 103.43 |
| | 6 172.77 | 18 002.40 | 34 139.85 | 26 503.77 | 84 818.79 | 571 908.82 | 656 727.61 |

**GENERAL FUND AS AT 31.12.2004**
**2003 CONTRIBUTIONS due in 2004**
**(based on 2002 oil reports)**

| | State | Assessment £ | Receipt £ | Outstanding £ | % Paid |
|---|---|---|---|---|---|
| | Algeria | 2 788.74 | 2 788.74 | 0.00 | 100.00 |
| <1> | Angola | - | - | - | - |
| <2> | Antigua and Barbuda | - | - | - | - |
| | Argentina | 57 161.78 | 57 161.78 | 0.00 | 100.00 |
| | Australia | 160 702.61 | 160 702.61 | 0.00 | 100.00 |
| <3> | Bahamas | - | - | - | - |
| <1> | Bahrain | - | - | - | - |
| | Barbados | 899.47 | 899.47 | 0.00 | 100.00 |
| | Belgium | 32 311.78 | 32 311.78 | 0.00 | 100.00 |
| <2> | Belize | - | - | - | - |
| <2> | Brunei Darussalam | - | - | - | - |
| <1> | Cambodia | - | - | - | - |
| | Cameroon | 6 661.83 | 6 661.83 | 0.00 | 100.00 |
| | Canada | 358 084.15 | 358 084.15 | 0.00 | 100.00 |
| | China (HKSAR) | 19 802.00 | 19 802.00 | 0.00 | 100.00 |
| <1> | Colombia | - | - | - | - |
| <1> | Comoros | - | - | - | - |
| | Croatia | 17 233.33 | 17 233.33 | 0.00 | 100.00 |
| | Cyprus | 10 696.76 | 10 696.76 | 0.00 | 100.00 |
| | Denmark | 28 117.25 | 28 117.25 | 0.00 | 100.00 |
| <1> | Djibouti | - | - | - | - |
| <1> | Dominica | - | - | - | - |
| <1> | Dominican Republic | - | - | - | - |
| <2> | Fiji | - | - | - | - |
| | Finland | 61 933.23 | 61 933.23 | 0.00 | 100.00 |
| | France | 496 353.79 | 496 353.79 | 0.00 | 100.00 |
| <1> | Gabon | - | - | - | - |
| <1> | Georgia | - | - | - | - |
| | Germany | 192 123.85 | 192 123.85 | 0.00 | 100.00 |
| | Greece | 115 146.08 | 115 146.08 | 0.00 | 100.00 |
| <1> | Grenada | - | - | - | - |
| <1> | Guinea | - | - | - | - |
| <2> | Iceland | - | - | - | - |
| | India | 470 697.85 | 470 697.85 | 0.00 | 100.00 |
| | Ireland | 23 409.43 | 23 409.43 | 0.00 | 100.00 |
| | Italy | 695 410.74 | 695 410.74 | 0.00 | 100.00 |
| | Jamaica | 15 040.56 | 13 281.53 | 1 759.03 | 88.30 |
| | Japan | 1 282 333.16 | 1 282 333.16 | 0.00 | 100.00 |
| <3/4> | Kenya | - | - | - | - |
| <2> | Latvia | - | - | - | - |
| <2> | Liberia | - | - | - | - |
| <2> | Lithuania | - | - | - | - |
| <3> | Madagascar | - | - | - | - |
| | Malta | 8 364.43 | 8 364.43 | 0.00 | 100.00 |
| <2> | Marshall Islands | - | - | - | - |
| | Mauritius | 1 450.15 | 1 450.15 | 0.00 | 100.00 |
| | Mexico | 60 267.25 | 60 267.25 | 0.00 | 100.00 |
| <2> | Monaco | - | - | - | - |

| | State | Assessment £ | Receipt £ | Outstanding £ | % Paid |
|---|---|---|---|---|---|
| <5> | Morocco | - | - | - | - |
| <2> | Mozambique | - | - | - | - |
| <2> | Namibia | - | - | - | - |
| | Netherlands | 545 683.36 | 545 683.36 | 0.00 | 100.00 |
| | New Zealand | 26 013.14 | 26 013.14 | 0.00 | 100.00 |
| <1> | Nigeria | - | - | - | - |
| | Norway | 129 586.53 | 129 586.53 | 0.00 | 100.00 |
| <2> | Oman | - | - | - | - |
| | Panama | 8 721.83 | 0.00 | 8 721.83 | 0.00 |
| <2> | Papua New Guinea | - | - | - | - |
| | Philippines | 70 657.89 | 70 657.89 | 0.00 | 100.00 |
| | Poland | 4 115.88 | 4 115.88 | 0.00 | 100.00 |
| | Portugal | 76 606.41 | 76 606.41 | 0.00 | 100.00 |
| | Qatar | 1 339.92 | 1 339.92 | 0.00 | 100.00 |
| <1> | République du Congo | - | - | - | - |
| | Republic of Korea | 605 609.19 | 605 609.19 | 0.00 | 100.00 |
| <4> | Russian Federation | 2 033.45 | 0.00 | 2 033.45 | 0.00 |
| <1> | Saint Vincent and the Grenadines | - | - | - | - |
| <1> | Samoa | - | - | - | - |
| <2> | Seychelles | - | - | - | - |
| <1> | Sierra Leone | - | - | - | - |
| | Singapore | 322 569.50 | 322 569.50 | 0.00 | 100.00 |
| <2> | Slovenia | - | - | - | - |
| | Spain | 317 033.88 | 317 033.88 | 0.00 | 100.00 |
| | Sri Lanka | 12 364.44 | 12 364.44 | 0.00 | 100.00 |
| | Sweden | 101 241.39 | 101 241.39 | 0.00 | 100.00 |
| <1> | Tanzania | - | - | - | - |
| <2> | Tonga | - | - | - | - |
| <1> | Trinidad and Tobago | - | - | - | - |
| | Tunisia | 18 858.72 | 18 858.72 | 0.00 | 100.00 |
| | Turkey | 123 846.44 | 123 846.44 | 0.00 | 100.00 |
| <2> | United Arab Emirates | - | - | - | - |
| | United Kingdom | 372 755.83 | 372 755.83 | 0.00 | 100.00 |
| | Uruguay | 5 689.01 | 5 689.01 | 0.00 | 100.00 |
| <2> | Vanuatu | - | - | - | - |
| | Venezuela | 44 477.21 | 44 477.21 | 0.00 | 100.00 |
| | Total | 6 906 194.24 | 6 893 679.93 | 12 514.31 | 99.82 |

<1> Reports on contributing oil receipts in 2002 not submitted by 31.12.2004
<2> No liability for 2003 contributions to the *General* Fund
<3> Contributions invoiced late; amount due 1.3.05
<4> Reports on contributing oil receipts in 2002 for some contributors not submitted
<5> Contributions invoiced late; amount due 25.4.05

**PRESTIGE MAJOR CLAIMS FUND AS AT 31.12.2004**
**2003 CONTRIBUTIONS due in 2004**
**(based on 2001 oil reports)**

| | Member State at the time of the *Prestige* incident (13.11.2002) | Assessment £ | Receipt £ | Outstanding £ | % Paid |
|---|---|---|---|---|---|
| | Algeria | 21 978.40 | 5 009.54 | 16 968.86 | 22.79 |
| <1> | Angola | - | - | - | - |
| <2> | Antigua and Barbuda | - | - | - | - |
| | Argentina | 631 241.23 | 631 241.23 | 0.00 | 100.00 |
| | Australia | 1 709 474.98 | 1 709 474.98 | 0.00 | 100.00 |
| | Bahamas | 97 273.34 | 97 273.34 | 0.00 | 100.00 |
| <1> | Bahrain | - | - | - | - |
| | Barbados | 9 206.08 | 9 206.08 | 0.00 | 100.00 |
| | Belgium | 476 695.55 | 405 388.91 | 71 306.64 | 85.04 |
| <2> | Belize | - | - | - | - |
| <1> | Cambodia | - | - | - | - |
| | Cameroon | 88 230.01 | 88 230.01 | 0.00 | 100.00 |
| | Canada | 3 237 354.75 | 3 237 354.75 | 0.00 | 100.00 |
| | China (HKSAR) | 188 736.05 | 188 736.05 | 0.00 | 100.00 |
| <1> | Comoros | - | - | - | - |
| | Croatia | 177 693.84 | 177 693.84 | 0.00 | 100.00 |
| | Cyprus | 112 014.78 | 112 014.78 | 0.00 | 100.00 |
| | Denmark | 310 356.04 | 310 356.04 | 0.00 | 100.00 |
| <1> | Djibouti | - | - | - | - |
| <1> | Dominica | - | - | - | - |
| <1> | Dominican Republic | - | - | - | - |
| <2> | Fiji | - | - | - | - |
| | Finland | 591 500.59 | 591 500.59 | 0.00 | 100.00 |
| | France | 5 662 058.91 | 5 662 058.91 | 0.00 | 100.00 |
| | Germany | 2 075 425.88 | 2 075 425.88 | 0.00 | 100.00 |
| <1> | Georgia | - | - | - | - |
| | Greece | 1 205 630.26 | 1 205 630.26 | 0.00 | 100.00 |
| <1> | Grenada | - | - | - | - |
| <2> | Iceland | - | - | - | - |
| | India | 4 377 442.45 | 4 377 442.45 | 0.00 | 100.00 |
| | Ireland | 275 999.06 | 275 999.06 | 0.00 | 100.00 |
| | Italy | 7 378 502.34 | 7 378 502.34 | 0.00 | 100.00 |
| | Jamaica | 156 704.86 | 142 170.18 | 14 534.68 | 90.72 |
| | Japan | 14 013 807.19 | 14 013 807.19 | 0.00 | 100.00 |
| <3> | Kenya | 15 109.54 | 15 109.54 | 0.00 | 100.00 |
| <2> | Latvia | - | - | - | - |
| <2> | Liberia | - | - | - | - |
| <2> | Lithuania | - | - | - | - |
| | Malta | 67 155.26 | 67 155.26 | 0.00 | 100.00 |
| <2> | Marshall Islands | - | - | - | - |
| <2> | Mauritius | - | - | - | - |
| | Mexico | 630 000.88 | 630 000.88 | 0.00 | 100.00 |
| <2> | Monaco | - | - | - | - |
| <4> | Morocco | - | - | - | - |
| | Netherlands | 5 858 104.57 | 5 858 104.57 | 0.00 | 100.00 |
| | New Zealand | 257 592.04 | 257 592.04 | 0.00 | 100.00 |
| | Norway | 1 517 803.66 | 1 517 803.66 | 0.00 | 100.00 |

| | Member State at the time of the *Prestige* incident (13.11.2002) | Assessment £ | Receipt £ | Outstanding £ | % Paid |
|---|---|---|---|---|---|
| <2> | Oman | - | - | - | - |
| | Panama | 166 329.52 | 0.00 | 166 329.52 | 0.00 |
| <2> | Papua New Guinea | - | - | - | - |
| <3> | Philippines | 704 619.36 | 704 619.36 | 0.00 | 100.00 |
| | Poland | 51 813.52 | 51 813.52 | 0.00 | 100.00 |
| | Portugal | 865 786.71 | 865 786.71 | 0.00 | 100.00 |
| | Republic of Korea | 6 862 426.25 | 6 862 426.25 | 0.00 | 100.00 |
| <3> | Russian Federation | 30 537.82 | 0.00 | 30 537.82 | 0.00 |
| <1> | Saint Vincent and the Grenadines | - | - | - | - |
| <2> | Seychelles | - | - | - | - |
| <1> | Sierra Leone | - | - | - | - |
| | Singapore | 3 619 386.38 | 3 619 386.38 | 0.00 | 100.00 |
| <2> | Slovenia | - | - | - | - |
| | Spain | 3 297 516.03 | 3 297 516.03 | 0.00 | 100.00 |
| | Sri Lanka | 115 616.52 | 115 616.52 | 0.00 | 100.00 |
| | Sweden | 1 169 519.43 | 1 169 519.43 | 0.00 | 100.00 |
| <2> | Tonga | - | - | - | - |
| | Trinidad and Tobago | 259 716.99 | 0.00 | 259 716.99 | 0.00 |
| | Tunisia | 189 967.61 | 189 967.61 | 0.00 | 100.00 |
| | Turkey | 1 333 323.92 | 1 333 323.92 | 0.00 | 100.00 |
| <2> | United Arab Emirates | - | - | - | - |
| | United Kingdom | 3 923 531.43 | 3 923 531.43 | 0.00 | 100.00 |
| | Uruguay | 98 191.96 | 98 191.96 | 0.00 | 100.00 |
| <2> | Vanuatu | - | - | - | - |
| | Venezuela | 525 217.39 | 525 217.39 | 0.00 | 100.00 |
| | Total | 74 356 593.38 | 73 797 198.87 | 559 394.51 | 99.25 |

<1> Reports on contributing oil receipts in 2001 not submitted by 31.12.2004
<2> No liability for contributions to the *Prestige* Major Claims Fund
<3> Reports on contributing oil receipts in 2001 for some contributors not submitted
<4> Contributions invoiced late; amount due 25.4.05

**NAKHODKA MAJOR CLAIMS FUND**
**REIMBURSEMENT OF CONTRIBUTIONS IN 2004**
**(based on 1996 oil reports)**

| | State | Reimbursement £ |
|---|---|---|
| | Australia | 1 839 157.74 |
| | Denmark | 388 833.13 |
| | Finland | 558 665.19 |
| | France | 5 503 671.96 |
| | Germany | 4 368 675.29 |
| | Greece | 1 144 907.51 |
| | Japan | 15 722 726.02 |
| <1> | Liberia | - |
| <1> | Marshall Islands | - |
| | Mexico | 613 215.25 |
| | Norway | 1 604 875.64 |
| <1> | Oman | - |
| | Sweden | 1 226 007.57 |
| | United Kingdom | 4 729 293.19 |
| | Total | 37 700 028.49 |

<1> No liability for contributions to the *Nakhodka* Major Claims Fund

**CONTRIBUTIONS OUTSTANDING FOR PREVIOUS FINANCIAL PERIODS AS AT 31.12.2004**

**General Fund and Major Claims Funds**

| State | | Assessment £ | Receipt £ | Outstanding £ |
|---|---|---|---|---|
| Belgium | General Fund 2001 | 36 037.33 | 32 997.96 | 3 039.37 |
| | General Fund 2002 | 20 020.10 | 17 025.39 | 2 994.71 |
| | | **56 057.43** | **50 023.35** | **6 034.08** |
| Germany | *Erika* Major Claims Fund 1999 | 2 425 163.63 | 2 418 990.86 | 6 172.77 |
| | *Erika* Major Claims Fund 2000 | 1 520 164.21 | 1 516 294.94 | 3 869.27 |
| | *Erika* Major Claims Fund 2001 | 1 520 164.21 | 1 516 294.94 | 3 869.27 |
| | *Erika* Major Claims Fund 2002 | 1 702 582.55 | 1 698 248.97 | 4 333.58 |
| | | **7 168 074.60** | **7 149 829.71** | **18 244.89** |
| Panama | General Fund 2000 | 14 133.13 | 0.00 | 14 133.13 |
| | General Fund 2001 | 9 219.88 | 0.00 | 9 219.88 |
| | General Fund 2002 | 6 985.45 | 0.00 | 6 985.45 |
| | | **30 338.46** | **0.00** | **30 338.46** |
| Russian Federation | General Fund 2001 | 6 158.35 | 4 625.95 | 1 532.40 |
| | General Fund 2002 | 1 282.52 | 0.00 | 1 282.52 |
| | | **7 440.87** | **4 625.95** | **2 814.92** |
| Trinidad and Tobago | General Fund 2001 | 16 478.93 | 0.00 | 16 478.93 |
| | General Fund 2002 | 10 907.51 | 0.00 | 10 907.51 |
| | | **27 386.44** | **0.00** | **27 386.44** |
| Total | | **7 289 297.80** | **7 204 479.01** | **84 818.79** |

**CONTRIBUTIONS FOR PREVIOUS YEARS NOT ASSESSED DUE TO NON-SUBMISSION OF REPORTS ON CONTRIBUTING OIL RECEIPTS FOR RELEVANT YEAR AS AT 31 DECEMBER 2004**

| | | Contribution Year | Applicable Oil receipt year |
|---|---|---|---|
| Angola | General Fund | 2002 | 2001 |
| Bahrain | General Fund | 2002 | 2001 |
| | General Fund | 2001 | 2000 |
| | General Fund | 2000 | 1999 |
| | General Fund | 1998 | 1997 |
| | *Erika* Major Claims Fund | 1999, 2000, 2001 & 2002 | 1998 |
| Cambodia | General Fund | 2002 | 2001 |
| Comoros | General Fund | 2002 | 2001 |
| | General Fund | 2001 | 2000 |
| Djibouti | General Fund | 2002 | 2001 |
| Dominica | General Fund | 2002 | 2001 |
| Dominican Republic | General Fund | 2002 | 2001 |
| | General Fund | 2001 | 2000 |
| | General Fund | 2000 | 1999 |
| Georgia | General Fund | 2002 | 2001 |
| | General Fund | 2001 | 2000 |
| Grenada | General Fund | 2002 | 2001 |
| Saint Vincent and the Grenadines | General Fund | 2002 | 2001 |
| Sierra Leone | General Fund | 2002 | 2001 |

## SCHEDULE II

## REPORT ON PAYMENT OF CLAIMS FOR THE FINANCIAL PERIOD 1 JANUARY - 31 DECEMBER 2004

1 Financial Regulation 4.6 requires the Director to maintain a running record of all expenses incurred by the 1992 Fund in respect of each incident giving rise to claims against the Fund.

2 Expenditure incurred by the 1992 Fund during 2004 in respect of various incidents amounted to £14 546 094 and is made up as follows:

| | £ |
|---|---|
| General Fund (see paragraph 3) | 2 297 229 |
| *Erika* Major Claims Fund | 9 511 428 |
| *Prestige* Major Claims Fund | 2 737 437 |
| | 14 546 094 |

3 The General Fund covers compensation payments and claims related expenditure up to a maximum amount of the Pounds sterling equivalent of 4 million SDRs per incident converted at the rate applicable on the date of the incident. During 2004 payments from the General Fund were made in respect of 12 incidents. The major portion of the claims expenditure from the General Fund related to two incidents, the *Kyung Won* incident (£1 716 696) and an incident in Bahrain (£371 420).

4 In general, the position as at 31 December 2004 can be summarised as follows:

| Incident | Year | Compensation £ | Fees and related costs £ | Other costs £ | Total £ |
|---|---|---|---|---|---|
| 1 **Incident in Germany** | 2004 | - | 26 640 | 912 | 27 552 |
| | 2003 | - | 18 210 | 58 | 18 268 |
| | 2002 | - | 8 896 | 24 | 8 920 |
| | 2001 | - | 11 481 | 1 817 | 13 298 |
| | 2000 | - | 3 895 | 8 | 3 903 |
| | 1999 | - | 10 997 | 499 | 11 496 |
| | Total to date | - | 80 119 | 3 318 | 83 437 |
| 2 ***Dolly*** | 2004 | - | 39 636 | 5 | 39 641 |
| | 2003 | - | 1 308 | 16 | 1 324 |
| | 2002 | - | - | - | - |
| | 2001 | - | 2 281 | - | 2 281 |
| | Total to date | - | 43 225 | 21 | 43 246 |
| 3 ***Erika*** | 2004 | 7 502 681 | 2 004 166 | 4 581 | 9 511 428 |
| | 2003 | 23 218 618 | 2 659 213 | 7 182 | 25 885 013 |
| | 2002 | 15 730 700 | 4 693 769 | 34 697 | 20 459 166 |
| | 2001 | 9 773 083 | 4 100 465 | 62 323 | 13 935 871 |
| | 2000 | - | 2 252 311 | 93 137 | 2 345 448 |
| | 1999 | - | - | 699 | 699 |
| | Total to date | 56 225 082 | 15 709 924 | 202 619 | 72 137 625 |

| Incident | Year | Compensation £ | Fees and related costs £ | Other costs £ | Total £ |
|---|---|---|---|---|---|
| 4 ***Al Jaziah 1*** | 2004 | - | 9 142 | 1 507 | 10 649 |
| | 2003 | 335 878 | 14 754 | 75 | 350 707 |
| | 2002 | 25 532 | 7 949 | 3 833 | 37 314 |
| | 2001 | 204 756 | 16 142 | 47 | 220 945 |
| | 2000 | - | 23 218 | 361 | 23 579 |
| | Total to date | 566 166 | 71 205 | 5 823 | 643 194 |
| 5 ***Slops*** | 2004 | - | 22 536 | - | 22 536 |
| | 2003 | - | 63 228 | 47 | 63 275 |
| | 2002 | - | 38 620 | 23 | 38 643 |
| | 2001 | - | 9 004 | - | 9 004 |
| | 2000 | - | 10 938 | 6 | 10 944 |
| | Total to date | - | 144 326 | 76 | 144 402 |
| 6 **Incident in Sweden** | 2004 | - | 5 125 | 18 | 5 143 |
| | Total to date | - | 5 125 | 18 | 5 143 |
| 7 ***Zeinab*** | 2004 | - | 5 272 | 8 | 5 280 |
| | 2003 | 77 542 | 8 614 | 39 | 86 195 |
| | 2002 | 418 480 | 8 482 | 38 | 427 000 |
| | 2001 | - | 13 702 | 23 | 13 725 |
| | Total to date | 496 022 | 36 070 | 108 | 532 200 |
| 8 ***Prestige*** | 2004 | 123 033 | 2 325 594 | 288 810 | 2 737 437 |
| | 2003 | 39 915 420 | 3 293 373 | 120 473 | 43 329 266 |
| | 2002 | - | 35 969 | 10 626 | 46 595 |
| | Total to date | 40 038 453 | 5 654 936 | 419 909 | 46 113 298 |
| 9 **Incident in Bahrain** | 2004 | 362 772 | 406 | 8 242 | 371 420 |
| | 2003 | - | 812 | - | 812 |
| | Total to date | 362 772 | 1 218 | 8 242 | 372 232 |
| 10 ***Buyang*** | 2004 | - | 39 981 | 1 | 39 982 |
| | Total to date | - | 39 981 | 1 | 39 982 |
| 11 ***Hana*** | 2004 | - | 17 969 | 1 | 17 970 |
| | Total to date | - | 17 969 | 1 | 17 970 |
| 12 ***Duck Yang*** | 2004 | - | 29 736 | 4 | 29 740 |
| | 2003 | - | 284 | 2 275 | 2 559 |
| | Total to date | - | 30 020 | 2 279 | 32 299 |
| 13 ***Kyung Won*** | 2004 | 1 567 229 | 147 739 | 1 728 | 1 716 696 |
| | 2003 | - | 280 | 2 293 | 2 573 |
| | Total to date | 1 567 229 | 148 019 | 4 021 | 1 719 269 |

| Incident | Year | Compensation<br><br>£ | Fees and related costs<br>£ | Other costs<br>£ | Total<br><br>£ |
|---|---|---|---|---|---|
| 14 ***Jeong Yang*** | 2004 | - | 8 888 | 1 732 | 10 620 |
| | Total to date | - | 8 888 | 1 732 | 10 620 |

## SCHEDULE III

## DETAILS OF CONTINGENT LIABILITIES OF THE 1992 FUND AS AT 31 DECEMBER 2004

Contingent liabilities represent all known or likely claims against the 1992 Fund as at 31 December 2004 as well as an estimate of fees and other costs for 2005 (Note 1(f) to the financial statements). The figures are based on information available up to 30 April 2005.

2 There are contingent liabilities of the 1992 Fund estimated at £135 480 000 in respect of eight incidents as at 31 December 2004.

3 Details of the contingent liabilities, given in rounded figures, are set out below.

| | Incident | Date | Contingent liabilities at 31.12.04 | | |
|---|---|---|---|---|---|
| | | | Compensation<br>£ | Other costs<br>£ | Total<br>£ |
| 1 | Incident in Germany | 20.6.96 | 1 400 000 | 30 000 | **1 430 000** |
| 2 | *Dolly* | 5.11.99 | 1 630 000 | 80 000 | **1 710 000** |
| 3 | *Erika* | 12.12.99 | 60 500 000 | 2 000 000 | **62 500 000** |
| 4 | *Al Jaziah 1* | 24.1.00 | 0 | 10 000 | **10 000** |
| 5 | *Slops* | 15.6.00 | 2 000 000 | 80 000 | **2 080 000** |
| 6 | Incident in Sweden | 23.9.00 | 530 000 | 10 000 | **540 000** |
| 7 | *Prestige* | 13.11.02 | 64 400 000 | 2 500 000 | **66 900 000** |
| 8 | Incident in Bahrain | 15.3.03 | 290 000 | 20 000 | **310 000** |
| | **TOTAL** | | **130 750 000** | **4 730 000** | **135 480 000** |

4 Out of these contingent liabilities, an amount of £2.5 million had been liquidated as at 30 April 2005. This amount relates mainly to the payment of compensation in respect of the *Erika* incident and the Incident in Bahrain and of fees in respect of the *Erika* and *Prestige* incidents.

5 The estimated expenditure under the item 'Other costs' relates to legal and technical costs for the next financial year, ie 2005. High amounts of lawyers' and surveyors' fees have been included in the contingent liabilities in respect of the *Erika* and *Prestige* incidents. The amounts have been assessed on the basis of the likely volume of work to be carried out in 2005.

6 The incidents in respect of which over the years the 1992 Fund has been, or may be, obliged to make payments are set out in the 1992 and 1971 Fund's Annual Report 2004.

*Incident in Germany*

7 As regards the spill from an unknown source in Germany, the German authorities have taken legal action against the owner of the ship suspected of being responsible for the oil spill and his insurer. The authorities have informed the 1992 Fund that, if their attempts to recover the cost of their clean-up operations from the shipowner were to be unsuccessful, they would claim against the 1992 Fund. In order to prevent its claims against the 1992 Fund from becoming time barred, the German authorities have also taken legal action against the 1992 Fund. In a judgement rendered in December 2002 the German Court of first instance held the owner of the suspected ship and his

insurer liable for the pollution damage. The shipowner and the insurer appealed against the judgement. At a hearing held in December 2004, the Appeal Court indicated that on the basis of the evidence submitted, it was far from convinced that the suspected ship was the source of the pollution. In March 2005 the Executive Committee authorised the Director to conclude an out-of-court settlement with all the other parties involved, ie the Federal Republic of Germany, the shipowner and his insurer. For the purpose of the contingent liabilities the total compensation arising out of this incident (including interest) have been estimated at €2 million (£1.4 million) and fees and other costs for 2005 at £30 000.

*Dolly*

**8** The *Dolly,* which was carrying a cargo of bitumen, sank off Martinique. The ship was not covered by any insurance, and it is unlikely that the shipowner has financial resources to make any compensation payments. In October 2002, the French Government took legal action against the shipowner and the 1992 Fund, indicating that the total claim would exceed €2 232 000. The French authorities have informed the Fund that they have concluded a contract for the removal of the cargo and that the total cost of the operation was estimated at around €1.1 million. The authorities have commenced the operation for the removal of the cargo. For the purpose of the contingent liabilities the total compensation arising out of this incident has been estimated at €2.3 million (£1 630 000) and fees and other costs for 2005 at £80 000.

*Erika*

**9** The total amount of the established claims in respect of the *Erika* incident will exceed the maximum amount available for compensation under the 1992 Conventions (135 million SDR, corresponding to FFr1 211 966 811 or €184 763 149). The limitation amount applicable to the *Erika* under the 1992 Civil Liability Convention, FFr84 247 733 or €12 843 484. The 1992 Fund's liability would therefore be FFr1 127 719 078 (€171 919 665). The 1992 Fund had as at 31 December 2004 paid FFr 567 million (€86.4 million) in compensation. The balance payable by the 1992 Fund in compensation is FFr561 million or €85.5 million (£60.5 million). Fees and other costs are estimated at £2 million for 2005.

*Al Jaziah 1*

**10** The *Al Jaziah 1* incident occurred in the United Arab Emirates, which at the time of the incident was a member of both the 1992 Fund and the 1971 Fund. The 1992 Fund Executive Committee and the 1971 Fund Administrative Council decided that the liabilities arising out of this incident should be distributed between the two Funds on a 50:50 basis. All claims have been settled and paid. The 1992 Fund has taken recourse action against the owner of the *Al Jaziah 1,* which will give rise to legal costs in 2005 estimated at £10 000

*Slops*

**11** In July 2000, the Executive Committee decided that the *Slops* should not be considered as a 'ship' for the purpose of the 1992 Civil Liability Convention and the 1992 Fund Convention and that these Conventions therefore did not apply to the incident. Two Greek clean up contractors did not accept the Committee's decision and took legal action against the owner of the *Slops* and the 1992 Fund. In December 2002 a Greek Court of first instance held that the *Slops* fell within the definition of 'ship' and ordered the Fund to pay €2 323 360 (£1 645 000) plus interest and costs. The Fund appealed against the judgement. In February 2004 the Court of Appeal held that the *Slops* did not fall within the definition and rejected the claim. The claimants appealed to the Greek Supreme Court. In early 2005 the 1992 Fund submitted pleadings to the Supreme Court maintaining that the Court of Appeal had interpreted the definition of "ship" correctly and that the appeal should be dismissed. For the purpose of the contingent liabilities, the total compensation arising from the incident has been estimated at £2 million. Fees and other costs are estimated at £80 000 for 2005.

*Incident in Sweden*

**12** The Swedish authorities have maintained that the polluting oil originated from the vessel *Alambra*, and the 1992 Fund shares this view. The shipowner and his insurer have insisted that this was not the case. The Swedish Government has taken legal action against the shipowner and his insurer claiming compensation of SKr5 260 364 (£412 000) for clean-up costs. The Government has also taken legal action against the 1992 Fund to prevent its claim against the Fund becoming time barred. The Government has invoked the liability of the Fund to compensate it if neither the shipowner nor the insurer were to be held liable to pay compensation. For the purpose of the contingent liabilities, the total compensation arising from the incident (including interest) has been estimated at £530 000. Fees and other costs are estimated at £10 000 for 2005.

*Prestige*

**13** The total amount of the established claims will exceed the maximum amount available for compensation under the 1992 Conventions, 135 million SDR, corresponding to €171 520 703 (£121.4 million). The limitation amount applicable to the *Prestige* under the 1992 Civil Liability Convention is estimated at 18.9 million SDR, corresponding to €22.8 million (£16.1 million). The 1992 Fund's liability would therefore be approximately €148.7 million (£105.3 million). By the end of 2004 the 1992 Fund had paid a total of €57.7 million, including €57 555 000 (£39 914 906) paid to the Spanish State in 2003. The balance payable by the 1992 Fund in compensation therefore is some €91 million (£64.4 million). Fees and other costs are estimated at £2.5 million for 2005.

*Incident in Bahrain*

**14** The Executive Committee decided in May 2004 that, although it was not possible to establish the ship from which the pollution had originated, the claims arising from the incident were covered by the 1992 Fund Convention. Claims totalling US$ 674 000 for preventive measures and clean-up operations were settled and paid in 2004. Further claims were settled in 2004 for some US$ 557 000 (including claims relating to losses suffered by fishermen) but these claims were paid in 2005. No further compensation is payable by the 1992 Fund. For the purpose of the contingent liabilities compensation payable in 2005 is estimated at £290 000. Fees and other costs are estimated at £20 000 for 2005.